



FEDERATION OF  
**MASTER  
BUILDERS**

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# STATE OF TRADE SURVEY

Q3 2017



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# Introduction from FMB Chief Executive Brian Berry

The three months to September 2017 proved to be generally positive for the UK's small and medium-sized (SME) construction firms. Despite activity rising at a slower pace than the previous quarter in three out of the four home nations, Q3 2017 still saw growing workloads in every part of the UK.

Although workloads were growing and employment rose for the eighteenth quarter in a row, SME builders are still battling against material price hikes and wage increases – not only that, difficulties in recruiting skilled workers have reached new heights. While these cost pressures undoubtedly represent major challenges, it is reassuring that SME builders continue to be confident about their prospects.



## Key statistics from Q3 2017:

- Workloads grew in every region and nation of the UK, although at a slower rate than the second quarter of this year in England, Scotland and Wales;
- Northern Ireland was the only home nation to experience activity increasing at a faster rate compared to Q2 2017;
- These results represent the 18th consecutive quarter of positive growth which means that the construction SME sector has been on the rise for four and a half years;
- 82% of builders believe that material prices will rise in the next six months;
- 58% of construction SMEs foresee wages increases over the next six months;
- 61% of firms are struggling to hire carpenters and joiners; 59% are struggling to hire bricklayers; and 49% are struggling to hire site managers.

“Workloads grew in every region and nation of the UK, although at a slower rate than the second quarter of this year in England, Scotland and Wales”

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 September 2017, SME workload growth slowed.** Marginally fewer firms reported increasing activity in comparison to Q2 2017 (37% vs. 39%), while a slightly larger share reported slowing activity (16% vs. 15%).

**Business expectations for the future have tempered,** with just 41% of respondents predicting higher workloads, down from 48% in the previous quarter. Those expecting lower workloads grew, to 11% from 9%.

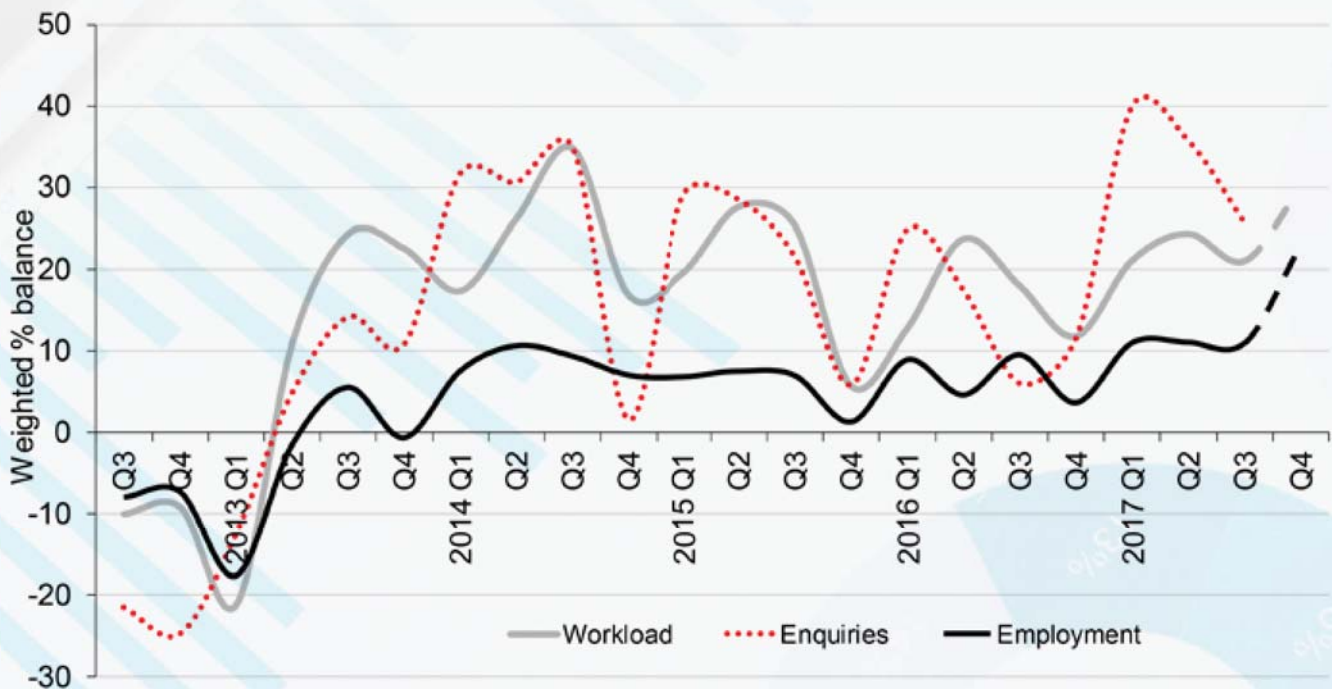
**The latest regional composite indicators showed activity rising at a slower pace compared with the previous quarter for three out of the four home nations:** Northern Ireland was the only home nation to experience

activity increasing at a faster rate as its net balance improved by 8 percentage points to +12.

**For the remainder of this year, output prices, wages, salaries and material costs are all predicted to rise:** The net balance for material costs was unchanged at +82 while the net balances for output prices and wages and salaries both declined by 4 percentage points.

**SME employment rose for the fifteenth quarter running:** The share of respondents indicating a fall in their workforce declined (10% vs. 13%) while around 68% of businesses recorded no change in staffing levels, up from 64% three months earlier.

Key indicators



Please note: Q4 2017 reflects respondents' expectations for workload and employment



## WORKLOADS

Despite falling by 3 percentage points to +21, in the third quarter of this year, the net balance for overall workloads remained in positive territory for the eighteenth consecutive quarter. The share of businesses stating rising workloads declined to 37% from 39%, while the proportion of those reporting lower workloads edged up to 16% from 15%.

The net balance for the private repair and maintenance sector saw the only rise, of 6 percentage points to +6. Approximately 13% of respondents specified lower

workloads, down from 20%, whereas over half of businesses (69%) stated no change in workloads, up from 59% in the previous quarter.

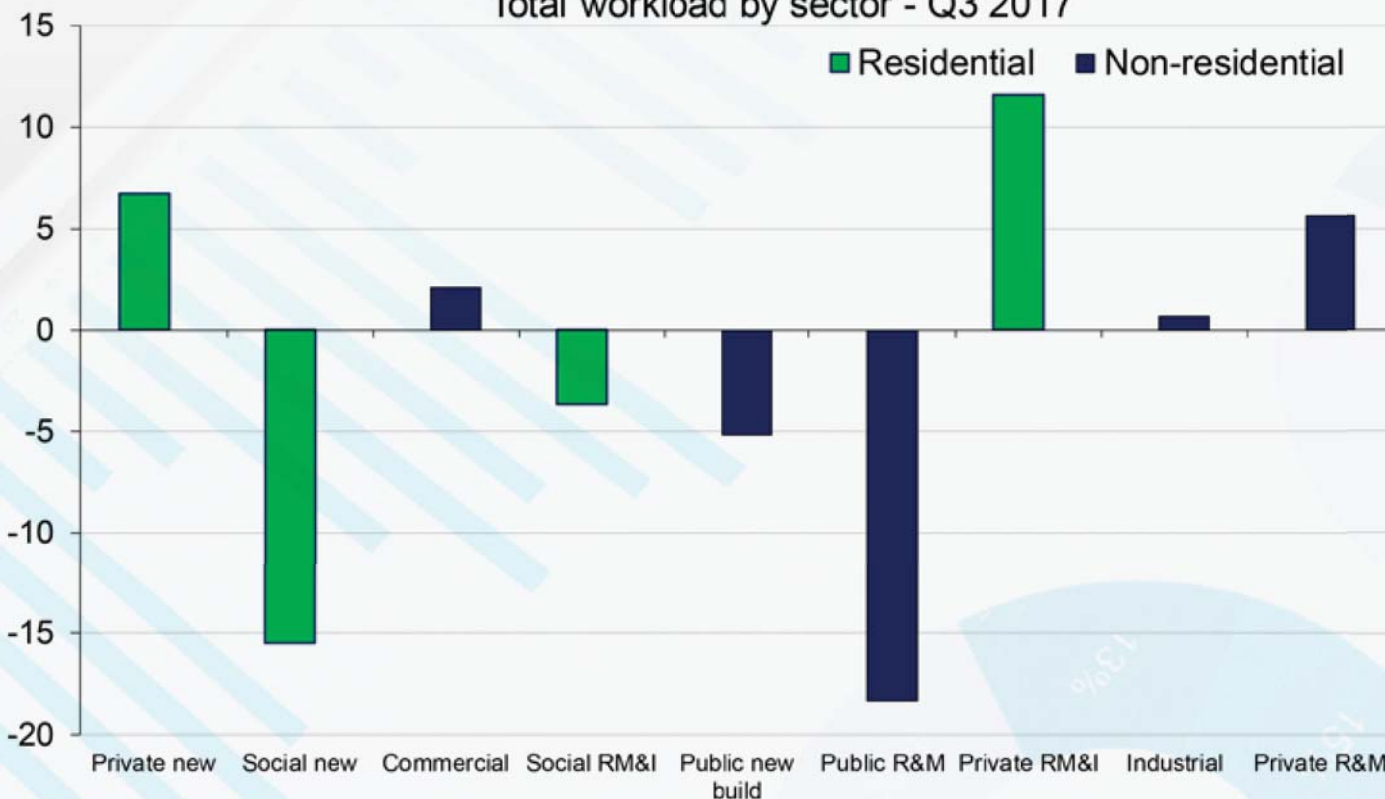
A drop of 20 percentage points took the private new net balance to +7. Those indicating lower workloads grew to 16% from 13%, while firms stating higher workloads also decreased (23% vs. 39%). However, most businesses (61%) saw no change to workloads.

The overall housing sector's net balance remained in positive territory despite falling by

6 percentage points to +10. Fewer businesses reported higher workloads (24% vs. 29%) while around 63% of respondents stated no change in workloads, up from the 58% registered three months earlier.

The non-residential net balance remained at +8 for the second consecutive quarter. Just under a fifth of firms (19%) reported higher workloads, down from 25% while those recording lower workloads also fell (10% vs. 16%). Most firms (71%) stated no change in workloads.

Total workload by sector - Q3 2017



# RESIDENTIAL WORKLOADS

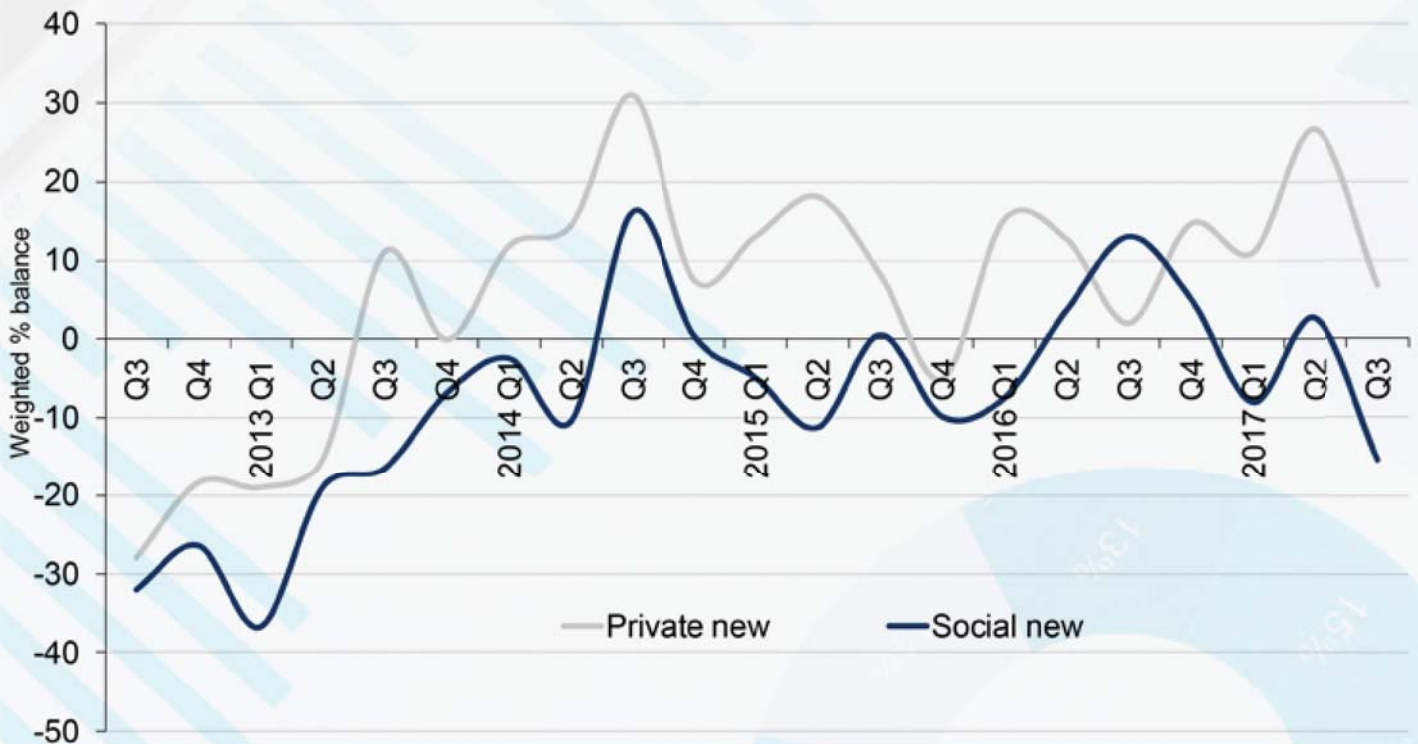
Weighted % balances

Workload	2015 Q4	2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3
Private new	-5	+15	+13	+2	+15	+11	+27	+7
Private RM&I	+7	+14	+17	+13	+8	+15	+19	+12
Social new	-10	-7	+4	+13	+5	-8	+3	-15
Social RM&I	-11	0	-8	-6	-1	+3	+5	-4
Total Residential		+22	+22	+18	+30	+11	+16	+10

The net balance for the **private new** housing sector experienced the greatest decline of 20 percentage points to +7. Despite this it remained in positive territory for the seventh successive quarter. The share of firms reporting a rise in workloads fell (23% vs. 39%) while more than half of respondents (61%) experienced no change in workloads.

At -15, the net balance for the **social new** housing sector moved back into negative territory as it went down by 18 percentage points. Around 5% of firms stated higher workloads, down from 16%, whereas just over a fifth (21%) of businesses reported lower workloads, up from 13%.

Residential historical weighted % balance - new build

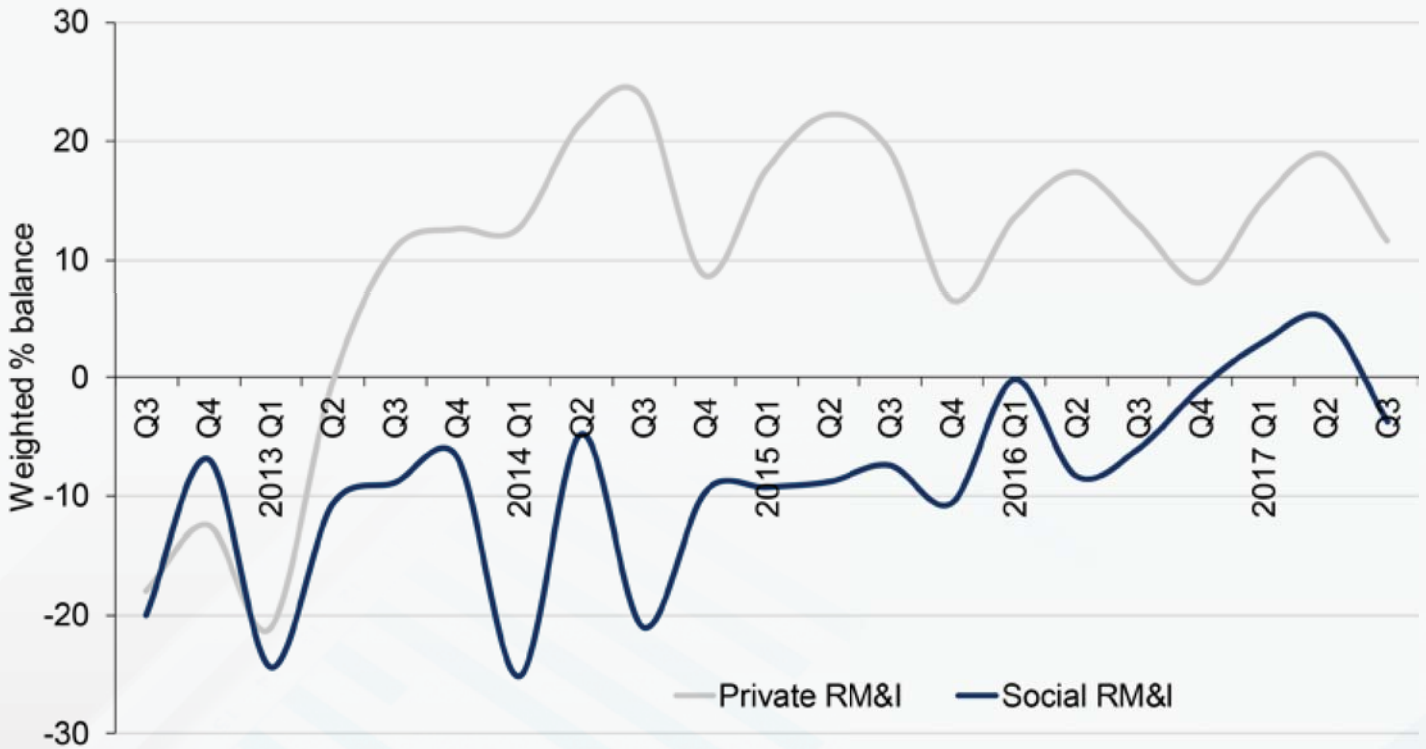


The net balance for the **social RM&I** sector moved into negative territory as it decreased by 9 percentage points to -4. Approximately 14% of respondents indicated a rise in workloads, down from 22% while more businesses (69% vs. 61%) reported no change in workloads.

The net balance for the **private RM&I** sector remained in positive territory for the seventeenth quarter running even though it went down by 7 percentage points to +12. Approximately 27% of companies experienced higher workloads, down from a third while those posting lower workloads grew to 16% from 14%.

## RESIDENTIAL / NON-RESIDENTIAL WORKLOADS

Residential historical weighted % balance - RM&I



## NON-RESIDENTIAL WORKLOADS

Weighted % balances

Workload	2015 Q4	2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3
Public new build	-10	-26	-11	+6	-15	-1	+3	-5
Public R&M	-15	-13	-13	-9	-17	+5	-11	-18
Industrial	-11	-15	-17	+3	-20	0	+2	+1
Commercial	-4	+2	+4	+8	-8	+4	+14	+2
Private R&M	+5	-11	+0	-5	-10	+8	0	+6
<b>Total Non-Residential</b>		<b>+5</b>	<b>+0</b>	<b>+7</b>	<b>0</b>	<b>-3</b>	<b>+8</b>	<b>+8</b>

A drop of 8 percentage points to -5 took the net balance for the **public new build** sector back into negative territory. Around 13% of respondents indicated higher workloads, down from 21% whereas more than half of firms (69%) stated no change in workloads, up from 61%.

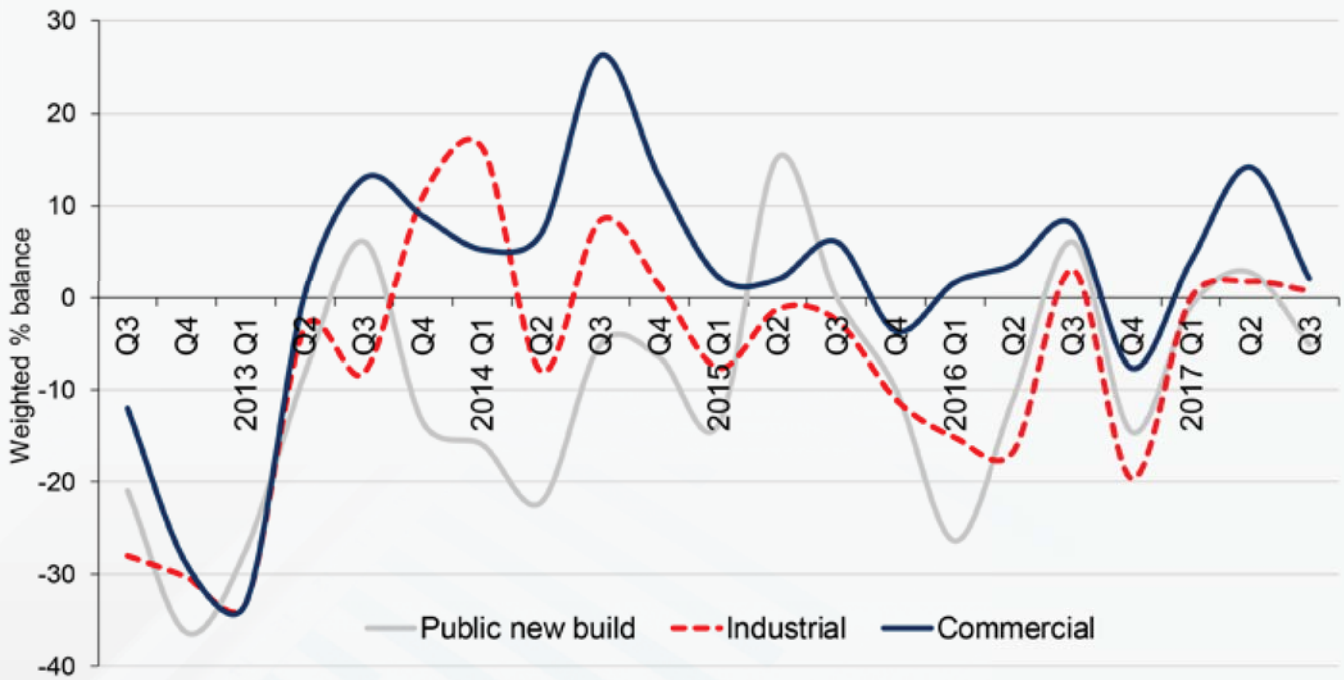
A decline of 12 percentage points took the **commercial** sector's net balance to +2. Approximately 23% of firms

reported higher workloads, down from 28% while those stating lower workloads increased to 21% from 14%.

The net balance for the **industrial** sector edged down by 1 percentage point to +1. Around 14% of businesses reported higher workloads, down from 16%, while those indicating lower workloads saw a marginal decline to 13% from 14%.

# NON-RESIDENTIAL WORKLOADS

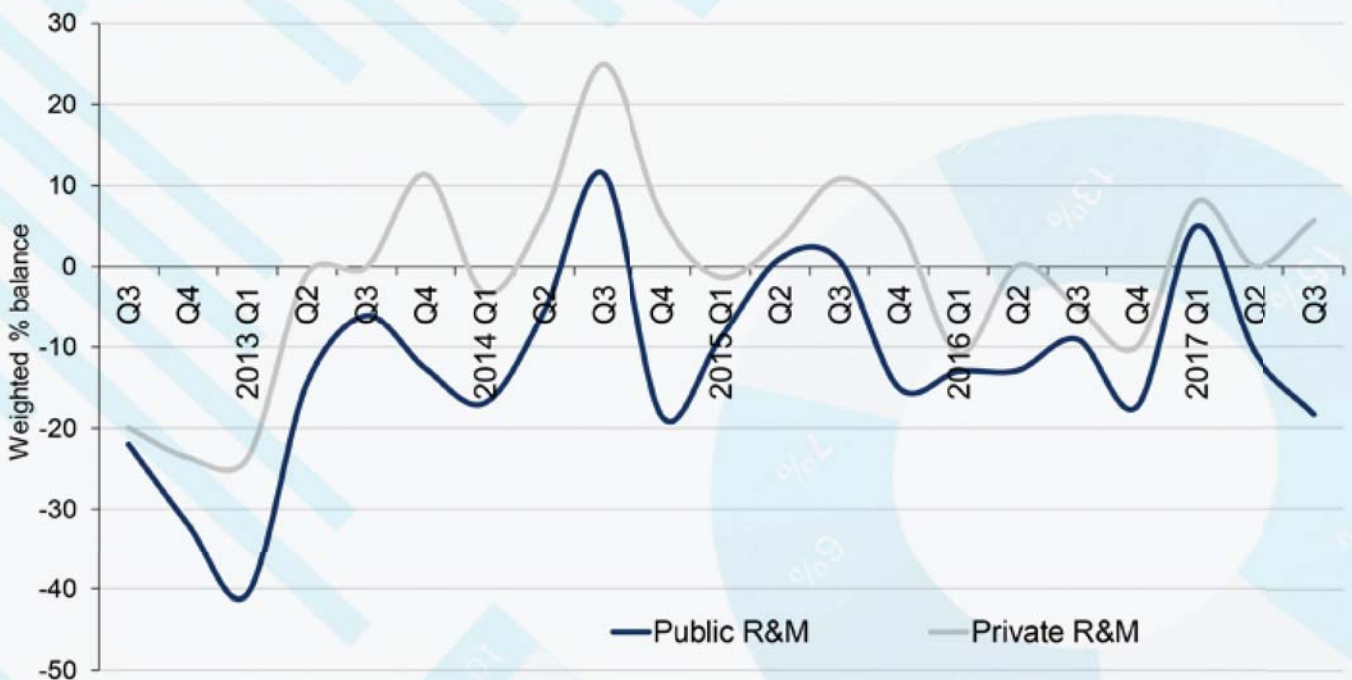
Non-residential historical weighted % balance chart - new work



The **public R&M** sector's net balance remained in negative territory for the second quarter running as it went down by 7 percentage points to -18. Just over a quarter (26%) of firms indicated lower workloads, up from 19%, while those registering no change in workloads dropped to 66%, down from 72%.

The **private R&M** sector's net balance increased by 6 percentage points to +6. Approximately 13% of firms reported lower workloads, down from 20% while the bulk of businesses (69%) indicated no change to workloads.

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





## EXPECTED WORKLOAD OVER THE NEXT THREE MONTHS AND ENQUIRIES

Despite falling by 10 percentage points to +26, the net balance for total enquiries remained in positive territory for the eighteenth consecutive quarter. Around 44% of businesses reported higher enquiries, down from 48%, whereas 18% of respondents indicated lower enquiries, up from 13% three months earlier.

A fall of 9 percentage points took the total expected workloads' net balance to +30, the lowest reading since Q4 2016. Around 41% of respondents foresee higher workloads over the next three months, down from 48%. In contrast, more firms anticipate lower workloads (11% vs. 9%).

## RESIDENTIAL EXPECTED WORKLOADS

The residential expected workloads' net balance dropped by 9 percentage points to +24. The share of firms with a negative outlook doubled (16% vs. 8%), while around 40% of respondents predict higher workloads over the next three months, slightly down from 41%.

A decline of 8 percentage points took the net balance for expected workloads in the **private new** housing sector to +24. The bulk of firms (51%) expect no change to workloads, up from 47%, whereas those predicting higher workloads went down to 37% from 42%.

The net balance for the social new housing sector decreased by 8 percentage points to 0, indicating overall expected activity is unchanged from the previous quarter. The share of respondents

anticipating higher workloads went down, to 12% from 16%, while the proportion of businesses foreseeing no change to workloads edged up, to 77% from 76%.

Despite falling by 2 percentage points to +7, the **social RM&I** sector remained in positive territory for the fourth successive quarter. The proportion of businesses envisaging lower workloads edged up, to 10% from 9%, while the percentage of those predicting no change in workloads saw a marginal fall, to 72% from 73%.

The net balance for the **private RM&I** sector remained in positive territory for the seventh successive quarter despite dropping by 5 percentage points to +23. Around 13% of firms forecast a negative outlook, up from 9%, whereas half of respondents expect no change to workloads, down from 54%.



"40% of construction SMEs operating in the residential sector anticipate higher workloads over the next three months"

### Weighted % balances

Expected Workload	2015 Q4	2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3
Private new	0	+10	+14	+2	+13	+35	+32	+24
Private RM&I	-4	+19	+17	+8	+6	+36	+28	+23
Social new	-5	+6	+12	+8	+19	+5	+8	0
Social RM&I	-3	-17	+3	-8	+5	+4	+9	+7
<b>Total Residential</b>		<b>+25</b>	<b>+22</b>	<b>+7</b>	<b>+4</b>	<b>+34</b>	<b>+33</b>	<b>+24</b>
<b>Enquiries</b>								
Private new	-4	+6	+16	+1	+8	+31	+25	+17
Private RM&I	+1	+15	+13	+1	+6	+33	+32	+19
Social new	-9	+12	-11	0	-4	0	0	-3
Social RM&I	-1	+1	-3	-11	+7	+1	+11	+1
<b>Total Residential</b>		<b>+30</b>	<b>+22</b>	<b>+21</b>	<b>+3</b>	<b>+26</b>	<b>+23</b>	<b>+22</b>

## NON-RESIDENTIAL EXPECTED WORKLOADS

The net balance for non-residential expected workloads remained in positive territory for the third quarter running as it rose by 10 percentage points to +13. Approximately 29% of businesses foresee higher workloads, up from 19%, while more than half of respondents (56%) envisage no change to workloads, down from 66%.

An increase of 1 percentage point took the **Public R&M** sector's net balance to +1 and back into positive territory. Around 15% of firms expect higher workloads, up from 11%, while at 70% the bulk of businesses predict no change in workloads.

The net balance for the **private R&M** sector fell by 2 percentage points to +13. Just under a quarter (24%) of respondents project higher workloads, down from 27%, while around 65% of businesses expect no change in workloads.

The **industrial** sector's net balance increased by 3 percentage points to +16. Around 9% of companies anticipate lower workloads, down from 16%, while just over two thirds of respondents (67%) predict no change to their workloads, up from 55%.

A drop of 15 percentage points to -4 took the **public new build** sector's net balance back into negative territory. Around 16% of businesses have a positive outlook, down from 23%. In contrast, approximately 21%, up from 12% of respondents, expect a fall in workloads.

The **commercial sector's** net balance edged up by 1 percentage point to +17, the highest reading since Q1 2016. A third of respondents anticipate higher workloads, up from 32%, whereas those forecasting a negative outlook fell, to 15% from 17%.



“The net balance for non-residential expected workloads remained in positive territory for the third quarter running”

### Weighted % balances

Expected Workload	2015 Q4	2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3
Public new build	-12	-6	+17	-10	+5	+9	+11	-4
Public R&M	-14	-11	+13	-16	-8	+9	0	+1
Industrial	-6	-10	0	-6	0	+18	+13	+16
Commercial	-4	+18	+2	-5	+3	+14	+16	+17
Private R&M	-4	+6	+13	-7	-14	+29	+15	+13
<b>Total Non-Residential</b>		<b>+14</b>	<b>+11</b>	<b>-4</b>	<b>-3</b>	<b>+16</b>	<b>+3</b>	<b>+13</b>
<b>Enquiries</b>								
Public new build	-14	-6	-1	-7	-14	+6	+7	-5
Public R&M	-23	-3	-12	-10	-20	-8	+4	+4
Industrial	0	-15	+3	-7	-6	+5	-2	+13
Commercial	+2	+4	+3	-4	-9	+13	+14	+16
Private R&M	-5	-1	-3	-4	-19	+21	+6	+10
<b>Total Non-Residential</b>		<b>+8</b>	<b>+5</b>	<b>+1</b>	<b>-1</b>	<b>+12</b>	<b>+10</b>	<b>+7</b>

# PRICES AND COSTS

## Weighted % balances

	2015 Q4	2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3
Output prices	+23	+29	+26	+33	+25	+49	+48	+36
Wages & salaries	+44	+44	+45	+52	+44	+52	+59	+61
Materials costs	+60	+64	+65	+65	+73	+87	+89	+81

## Weighted % balances

Expected	2015 Q4	2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3
Output prices	+42	+43	+42	+33	+41	+68	+65	+61
Wages & salaries	+46	+51	+53	+41	+40	+66	+62	+58
Materials costs	+69	+63	+63	+65	+78	+85	+82	+82

The net balance for expected output prices fell by 4 percentage points to +61. Around 63% of companies forecast higher output prices over the next six months, down from 69% three months earlier. Approximately 35% of respondents anticipate no change to output prices, up from 28%.

The net balance (+58) for expected wages and salaries declined by 4 percentage points for the second

successive quarter. Fewer firms foresee wage increases (58% vs. 63%) while approximately 41% of respondents project no changes in wages and salaries, up from 37%.

At +82, the net balance for expected material costs was unchanged. Most businesses (82%) anticipate a rise in material costs, while 17% of respondents predict no change to material costs over the coming six months.

Prices & costs weighted % balance chart



“82% of firms expect a rise in material costs over the next six months”



# EMPLOYMENT AND LABOUR

Weighted % balances

Employment	2015 Q4	2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3
All builders	0	+9	+7	+12	+4	+11	+10	+10
All specialists	+6	+8	+2	+6	+3	+11	+12	+12
Total	+1	+9	+5	+10	+4	+11	+11	+11
<b>Total Employment</b>	<b>+1</b>	<b>+9</b>	<b>+5</b>	<b>+10</b>	<b>+4</b>	<b>+11</b>	<b>+11</b>	<b>+11</b>

Weighted % balances

Expected employment	2015 Q4	2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3
All builders	+18	+26	+17	+14	+7	+32	+29	+26
All specialists	-2	+14	+14	+10	+5	+30	+29	+21
Total	+16	+20	+16	+12	+6	+31	+29	+23
<b>Total Employment</b>	<b>+16</b>	<b>+20</b>	<b>+16</b>	<b>+12</b>	<b>+6</b>	<b>+31</b>	<b>+29</b>	<b>+23</b>

In the three months to September this year, the total employment net balance remained at +11 for the third quarter running. Fewer firms stated a rise in staffing levels (21% vs. 24%), whereas those reporting a fall in employment declined, to 10% from 13%.

The employment net balance for all builders remained at +10 for the second consecutive quarter. Approximately 12% of firms reported a fall in staffing levels, down from 14% while those stating an increase in employment went down to 22% from 24%.

At +12, the net balance for all specialists was also unchanged from the previous quarter. Approximately 21% of respondents reported higher staffing levels, down from 23%, while around 9% of firms indicated a decline employment, down from 11%.

The net balance for expected total employment declined by 6 percentage points to +23. Despite this it remained in positive territory for the eighteenth successive quarter. Around 32% of firms predict a rise in staffing levels, down from the 38% recorded three months earlier. Approximately 60% of respondents foresee no changes to staffing levels, up from 52%.

The expected employment net balance decreased by 3 percentage points to +26. Fewer firms expect to hire staff (34% vs. 39%), while around 59% of businesses project no change to their workforce, up from 52%.

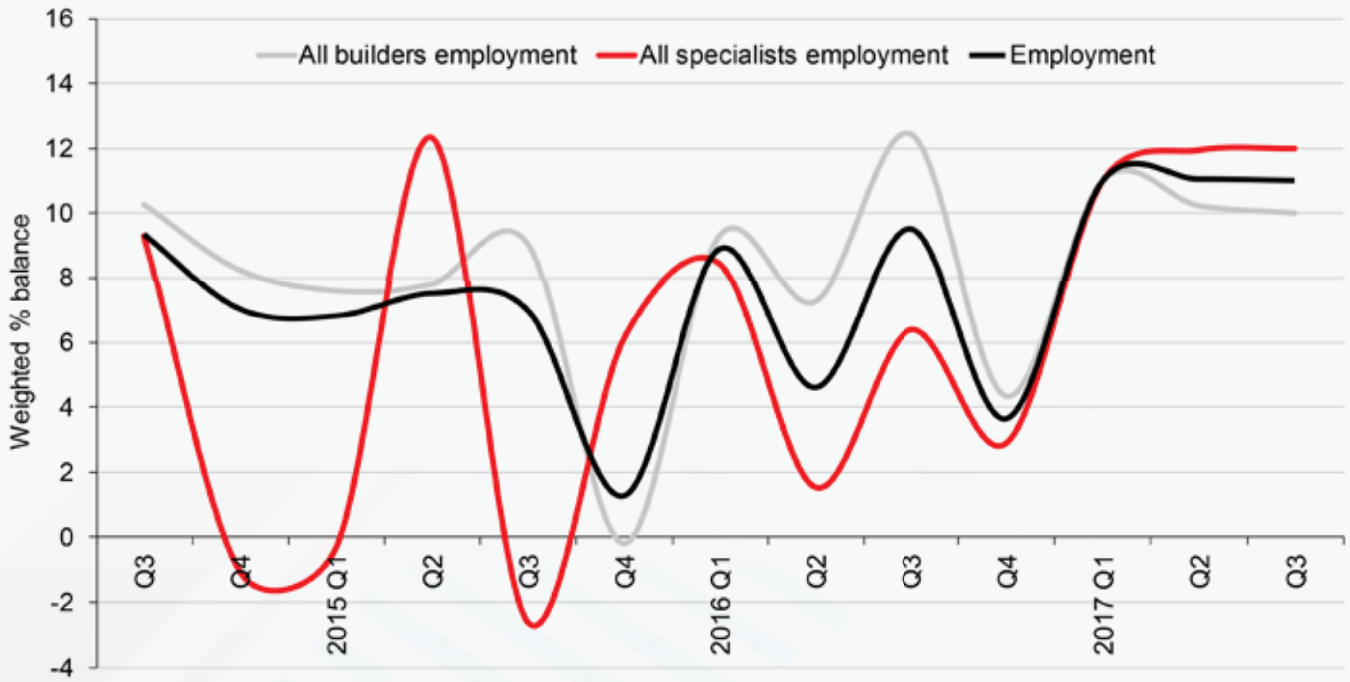
A drop of 8 percentage points took the expected specialists employment net balance to +21. Approximately 30% of respondents predict a rise in employment, down from 38%, while most firms (61%) expect no change in staffing levels.





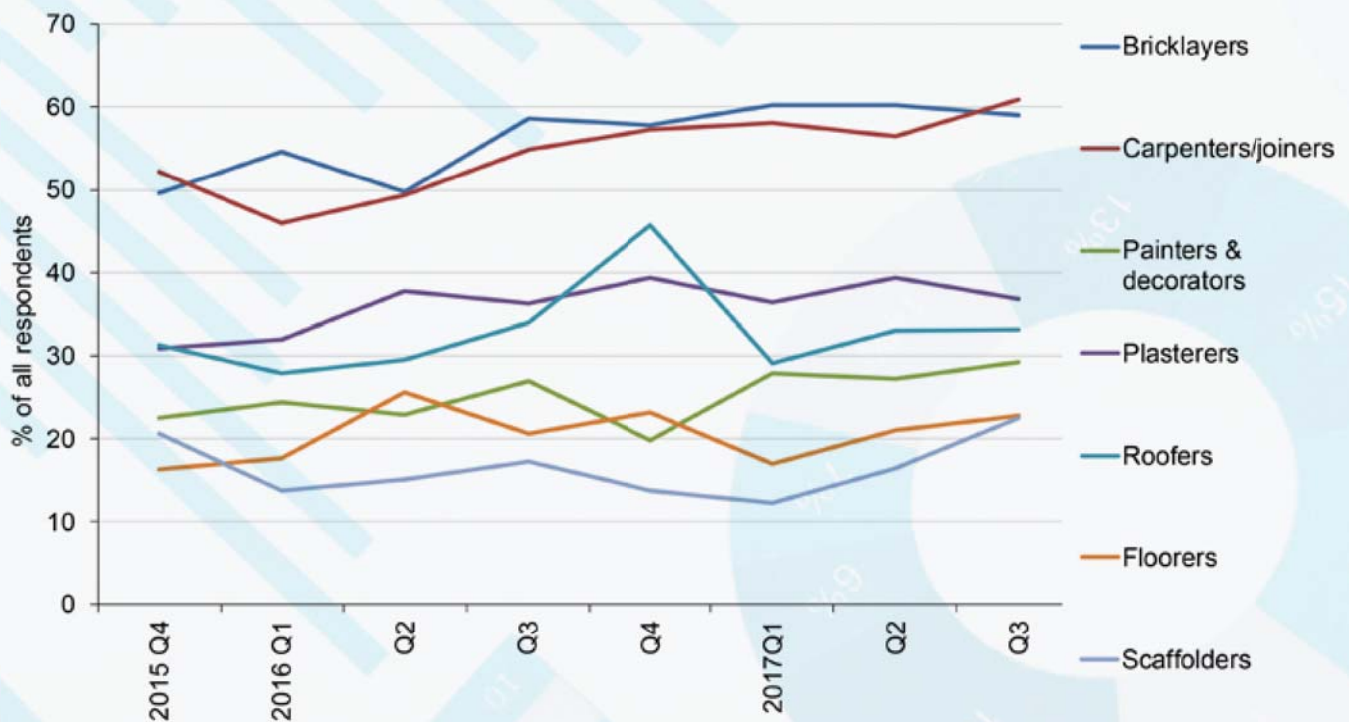
# EMPLOYMENT AND LABOUR

Employment weighted % balance chart



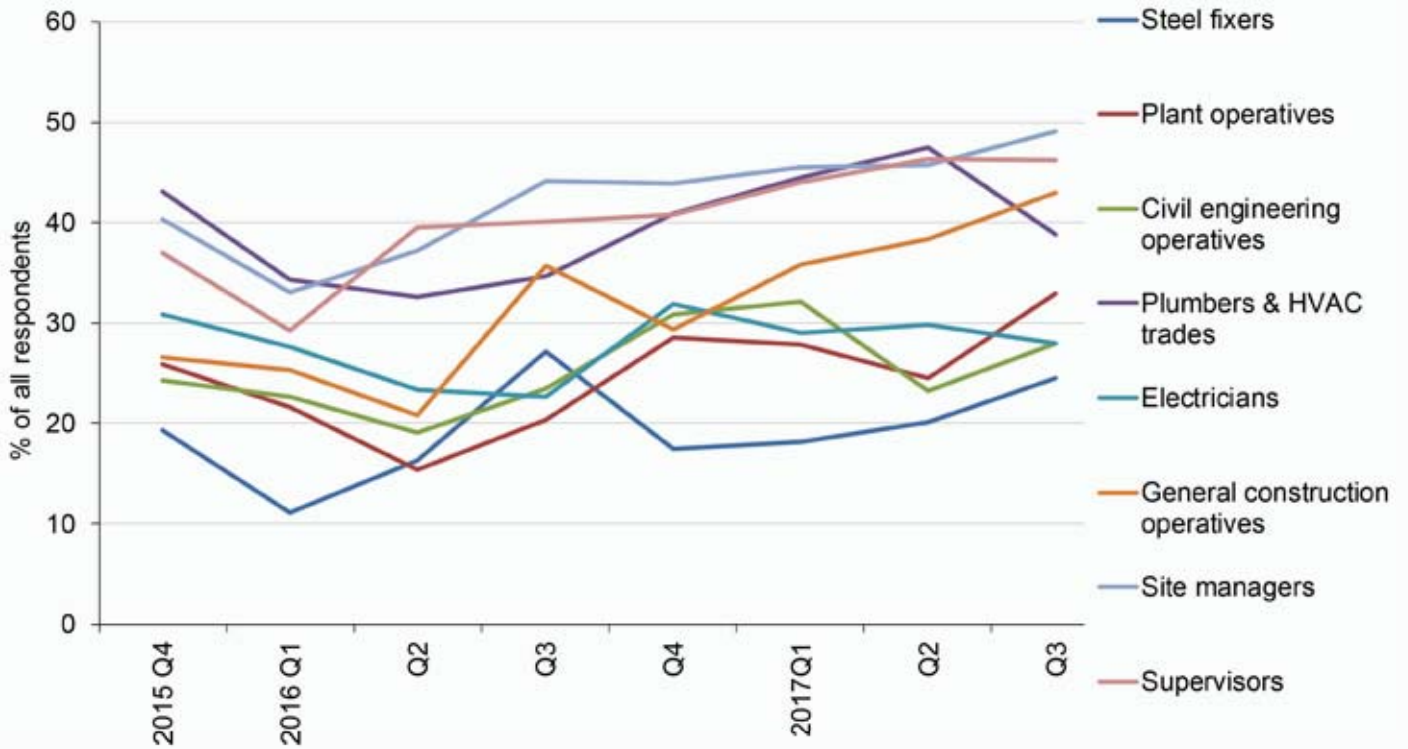
In Q3 2017, carpenters/joiners were reported as being the most difficult to employ. Bricklayers, site managers and supervisors were also hard to come by. In contrast, scaffolders and floorers were the easiest to hire.

% of respondents reporting difficulty recruiting selected skills chart 1



# EMPLOYMENT AND LABOUR

% of respondents reporting difficulty recruiting selected skills chart 2



% reporting difficulty

	2015 Q4	2016 Q1	Q2	Q3	Q4	2017Q1	Q2	Q3
Bricklayers	50	55	50	59	58	60	60	59
Carpenters/joiners	52	46	49	55	57	58	57	61
Painters & decorators	23	24	23	27	20	28	27	29
Plasterers	31	32	38	36	39	36	39	37
Roofers	31	28	30	34	46	29	33	33
Floorers	16	18	26	21	23	17	21	23
Scaffolders	21	14	15	17	14	12	17	22
Steel fixers	19	11	16	27	17	18	20	24
Plant operatives	26	22	15	20	29	28	25	33
Civil engineering operatives	24	23	19	23	31	32	23	28
Plumbers & HVAC trades	43	34	33	35	41	45	47	39
Electricians	31	28	23	23	32	29	30	28
General construction operatives	27	25	21	36	29	36	38	43
Site managers	40	33	37	44	44	45	46	49
Supervisors	37	29	40	40	41	44	46	46

“61% of firms have reported difficulties recruiting carpenters/ joiners”

## 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.

In the three months to September this year, the **UK's** net balance went down by 1 percentage point to +23. The percentage of positive weighted responses saw a marginal decline, from 35% to 36%, while the share of negative weighted responses remained at 12%. The proportion of neutral weighted responses moved to 53% from 52%.

**Scotland's** net balance fell back by 6 percentage points to +7. A quarter of weighted responses were positive, down from 27%, whereas 18% of firms reported negative weighted responses, up from 14%. At 57%,

most weighted responses were neutral, down from 59%.

A drop of 3 percentage points took **England's** net balance to +22. The percentage of positive weighted responses went down to 31%, from 37%, while the percentage of negative weighted responses also decreased, to 9% from 12%. Approximately 60% of responses were neutral, up from 51%.

**Northern Ireland** was the only home nation to experience growth, with its net balance rising by 8 percentage points to +12.

Approximately 28% of weighted responses were positive, up from a fifth, whereas negative weighted responses were unchanged at 16%. Around 56% of weighted responses were neutral, down from 64%.

The net balance for **Wales** plummeted by 20 percentage points to +6. A quarter of weighted responses were positive, down from 34%, while the proportion of negative weighted responses increased to 19% from 8%. Neutral weighted responses edged down to 56% from 58% in the previous quarter.

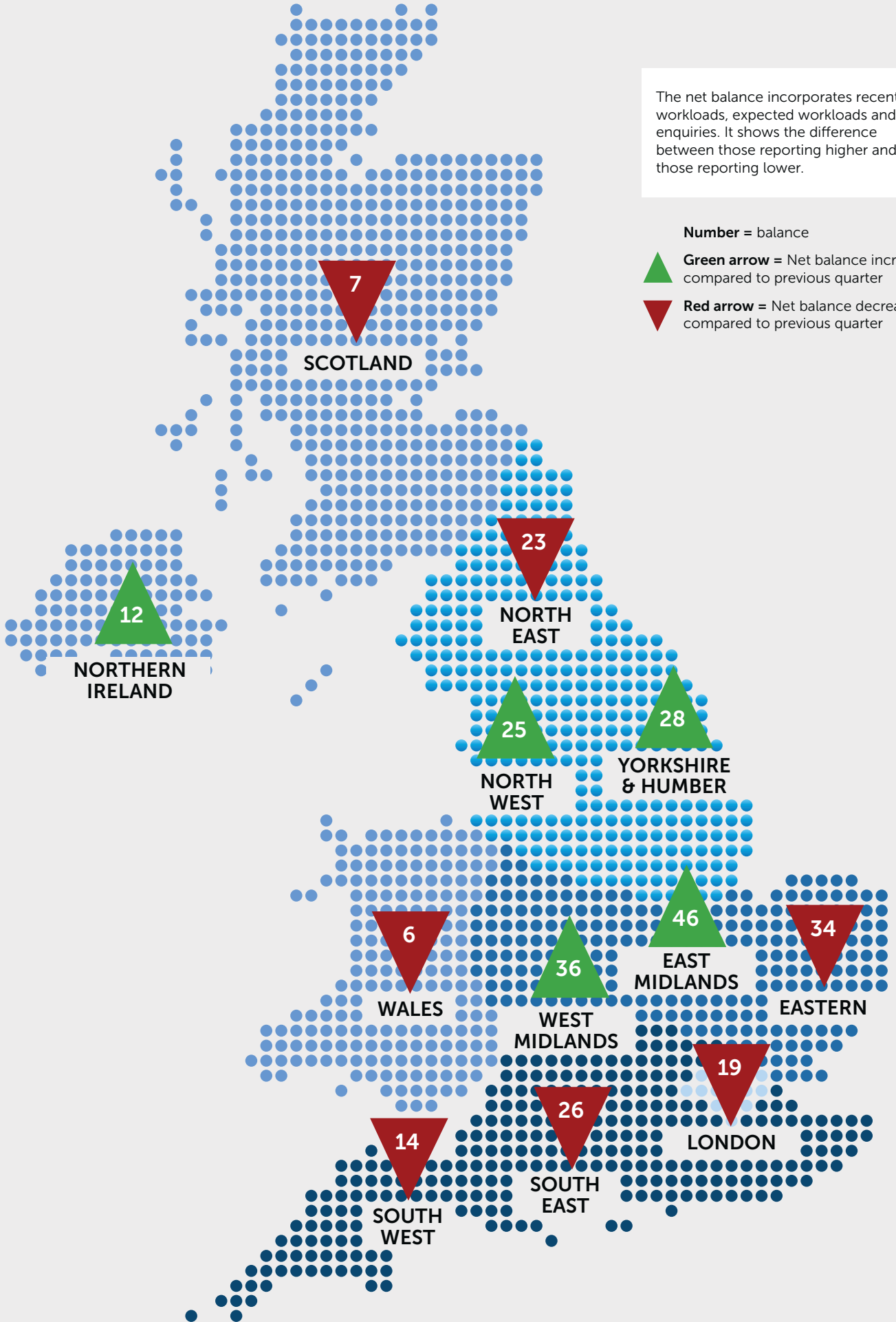
Weighted % balances

	2015 Q4	2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3
East Midlands	+19	+4	+3	-12	+16	+12	+39	+46
Eastern	-9	+18	+16	+7	+4	+37	+42	+34
London	+24	+25	-17	0	+14	+29	+23	+19
North East	+2	+22	+28	+30	-3	+36	+28	+23
North West	+3	-2	+11	0	+10	+28	+19	+25
South East	+10	+17	+15	-3	-8	+23	+32	+26
South West	-10	+19	+11	+4	-14	+18	+24	+14
West Midlands	-1	+9	+7	+1	-9	+18	+8	+36
Yorks & Humber	+13	+26	+13	+30	+19	+28	+8	+28

	2015 Q4	2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3
England	+5	+16	+12	+6	+3	+25	+25	+22
Northern Ireland	+18	+34	+27	+15	+10	+27	+4	+12
Scotland	-13	+6	+21	+8	+10	+35	+13	+7
Wales	+7	-6	+16	-7	+15	+35	+26	+6
UK	+4	+15	+14	+6	+4	+26	+24	+23



# DEVOLVED COUNTRY AND REGIONAL PERSPECTIVE



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

- Number** = balance
- Green arrow** = Net balance increase compared to previous quarter
- Red arrow** = Net balance decrease compared to previous quarter



## About the Federation of Master Builders (FMB) and the State of Trade Survey

For more than 20 years, the FMB's 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 survey is dispatched to the entire membership every quarter. Between 300 and 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 building industry. Established in 1941 to protect the interests of SME building firms, the FMB is independent and non-profit-making, lobbying continuously for members' interests at both national and local levels. The FMB is a source of knowledge, professional advice and support for its members, providing a range of modern and relevant business services to save them time and money. The FMB also offers practical advice and support to the general public on choosing and working with a builder.

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



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