

Q3  
2022

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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 in **July to September 2022**.  
It casts ahead to **October to December 2022**.





**BRIAN BERRY**, Chief Executive,  
Federation of Master Builders

## View from the Chief Executive

### New plan needed to tackle economic challenges

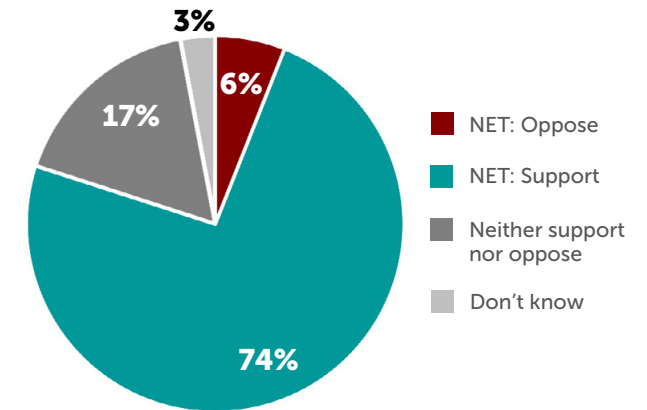
We publish the latest FMB State of Trade Survey in the week that the third Prime Minister this year has been appointed. It is difficult to recall a more turbulent political time, and sadly, for all of us, it has heralded a rocky economic outlook. Economic pressures that were beginning to bite for small, local building companies last quarter, have continued into Q3. What my members need more than anything is certainty and stability which is why I am not surprised that the call for a national retrofit strategy, as asked in this quarter's topical survey question, has gained considerable support.

With 74% of FMB members in favour of government support to create more consumer demand through improving the energy efficiency of the UK's existing homes, the positive impact on the industry of a national retrofit strategy is clear.

The retrofit opportunity for small building firms is immense. By 2050, we will need to have worked on our 28 million homes to install wall, floor and loft insulation, new windows and doors, solar panels, and new heating technologies to cut carbon emissions by 22%. Doing so will help the UK reach its net zero climate targets, but more immediately, it will help everyone with the cost of living and sky-high energy bills as with less leaky homes, we will use less energy. It will create a steady stream of work for small builders, and we also know a national retrofit strategy would help to boost economic growth in communities across the country where this need is greatest, and so help with levelling up.

We need a system that works and benefits the industry on a local and national scale and a national retrofit strategy does exactly that. The new Government has an opportunity to back industry calls for a Net Zero Retrofit Hub to be established to get this win-win market off the ground.

To what extent would you support or oppose the new UK Government introducing a plan to create consumer demand for works to improve the energy efficiency of existing UK homes, also known as 'retrofitting'?



Graph 1. Base: Total (n=251) To what extent would you support or oppose the new UK Government introducing a plan to create consumer demand for works to improve the energy efficiency of existing UK homes, also known as 'retrofitting'?

**The number of enquiries has reduced. I am not being successful in winning contracts, and I am concerned that a recession is looming and I will have to close my business."**

– FMB member



**BRIAN BERRY**, Chief Executive,  
Federation of Master Builders

**“The constant material price increases are affecting the types of projects that we are used to successfully winning. We are finding we are no longer competitive for projects such as garage conversions and general property refurbishments and that we now need to start tendering for larger projects, this is all very well but the lack of trades people available to employee to allow us to grow and take on the larger projects is restricting us.”**

– FMB Member

## View from the Chief Executive

### Continued decline in workload and enquiries

The continued contraction in workloads, enquiries and employment levels, as revealed by this survey’s latest data is a cause for concern, particularly the drop in enquiries, falling into negative territory for the first time since 2013. With the threat of a recession more likely, the whole of the construction industry must pull together to help sustain growth; an issue that the Construction Leadership Council (CLC), which the FMB is a part of, is actively championing.

The view across the UK varies. This quarter, the figures indicate workloads have declined considerably in Scotland (-15%) which is a cause for concern given the much higher confidence levels suggested by enquiry levels of 35% in the last quarter. While the data suggests workload has been strong in Northern Ireland (38%), the future looks more uncertain, with enquiry levels down at -25%.

With both workloads and enquiries falling, small builders have also been hit by a shortage of materials, as well as a continued spike in material costs with 90% of members reporting this as an issue in the past quarter. Additional challenges around general skills shortages and recruitment of labourers, carpenters, joiners and bricklayers, continue. Against this background the most important challenge for the new Government will be to bring stability to the economy to allow small construction companies to flourish.

### What lies ahead?

The impacts of Brexit, Covid, and the war in Ukraine will continue to be felt, making the coming months a challenging time for the new Government. The economy will be the dominant issue as the new Government endeavours to restore confidence in the financial markets. This will be absolutely critical if consumers are to have the money to keep employing small builders to improve their homes and make them more energy efficient. Without clear political and economic direction, the industry will continue to face an uncertain future.

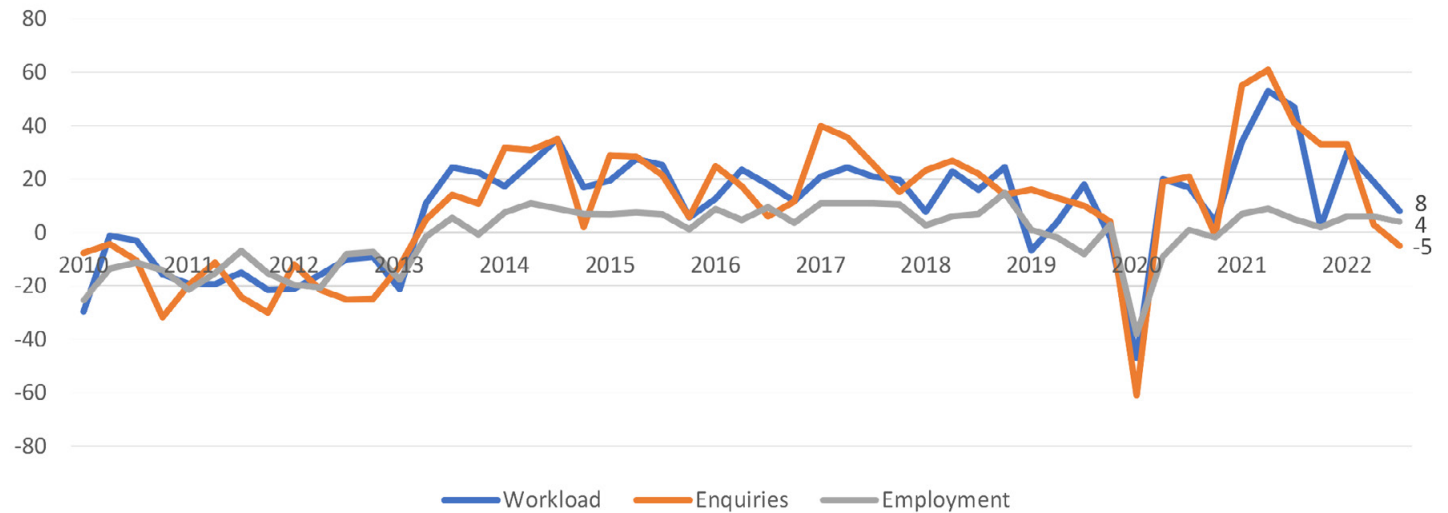
## Key indicators

The decline in both workload and enquiries that began at the start of the year, continued in Q3, and enquiries have dropped into negative territory for the first time since 2013, if you exclude the drop in spring 2020 as the Covid-19 pandemic began. This paints a bleak picture of the current market and how this might directly impact FMB members.

Though at a slower pace, employment levels have also slightly decreased since Q2. This could reflect the shortage of skilled workers within the industry, made clear in the long-form comments received by those completing this survey. Or it may reflect the overall fall in work (as happened most notably during the Covid-19 lockdowns). Either way, the decline is not welcome, and signals ongoing need for industry to work with colleges, the CITB, and under clear direction from governments, to encourage more school leavers and career switchers into a career in construction.

A third of FMB members reported a higher workload in Q3 2022 than in Q2 (April-June 2022), while a quarter stated that their workload was lower. In terms of total enquiries, a third of FMB members reported an increase in Q3 compared to Q2 2022, while nearly two in five (38%) reported this to be lower. 20% stated that their workforce grew in Q3, while 17% reported a decline in the number of employees during this quarter.

## Key indicators



Graph 2 - Q3. Looking back, how does your company's workload in the period July - September 2022, compare to that in April - June 2022? Base: Total excl N/A (n=251) Q6. Looking back, how has the level of enquiries regarding future work changed in the period July - September 2022 compared to April - June 2022? Base: Total excl N/A (n= 251) Q8. How has the number of employees within your company's workforce changed during July - September 2022 compared to April - June 2022? Base: Total excl N/A (n= 251) Net balance of change



**"We are dealing with ridiculous sky-high material prices, skilled labour shortages and inflation. Material prices must go down to previous levels otherwise there won't be any work going around for tradesman and micro companies like ours, consumers will put their potential projects on hold because no one wants to pay 60% more for similar building materials which in turn is pushing our prices extortionately higher and putting the potential customers off."**

– FMB member

## Workload and enquiries by sector

The proportions of FMB members reporting increased workloads and levels of incoming enquiries have decreased in Q3 compared to Q2.

In line with Q1 and Q2, the repair, maintenance and improvement sector continues to have the highest net increase in terms of workload, with 12% of FMB members reporting an increased workload on balance. When looking at enquiries, all sectors have observed a net decrease. The repair, maintenance and improvement sector has seen the smallest decrease on balance (-1%).

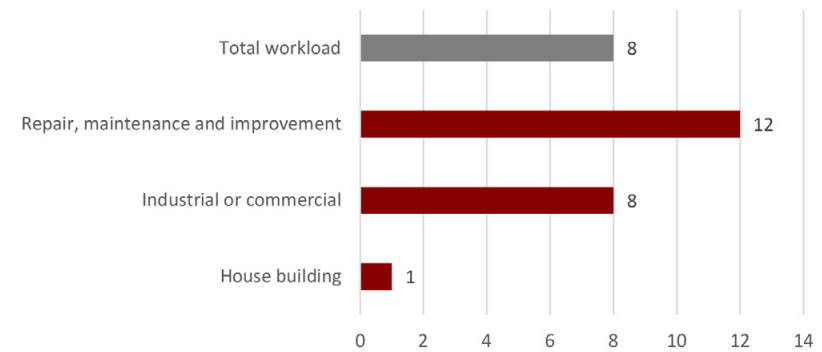
Workloads in the house building sector are stagnant at 1%, displaying a continued fall since Q2 where it sat at 8%. This is a worrying sign, suggesting that recent changes to Stamp Duty have yet to boost confidence in the house building market. To reverse the decades-long decline in small house builders more small sites need to be made available in every local authority (following the model promoted by the Greater London Authority) and greater resources to local authority planning departments to make it easier for them to support SMEs and micro firms to navigate complex planning applications.



**"I expect reduced workloads. This will impact on the labour market making more labour available at reduced rates. Hopefully material prices will remain stable until the end of the year."**

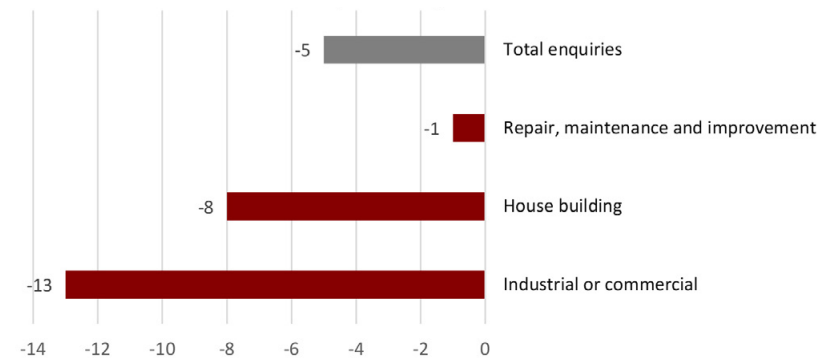
– FMB member

## Workload by sector



Graph 3 - Q3. Looking back, how does your company's workload in the period July - September 2022, compare to that in April - June 2022, thinking about total workload, and in the specific sectors of the industry that you work in? Base: Total workload (n=251); House building (n=137); Repair, maintenance and improvement (n=237); Industrial or commercial (n=124). Excluding N/As Net balance of change

## Enquiries by sector



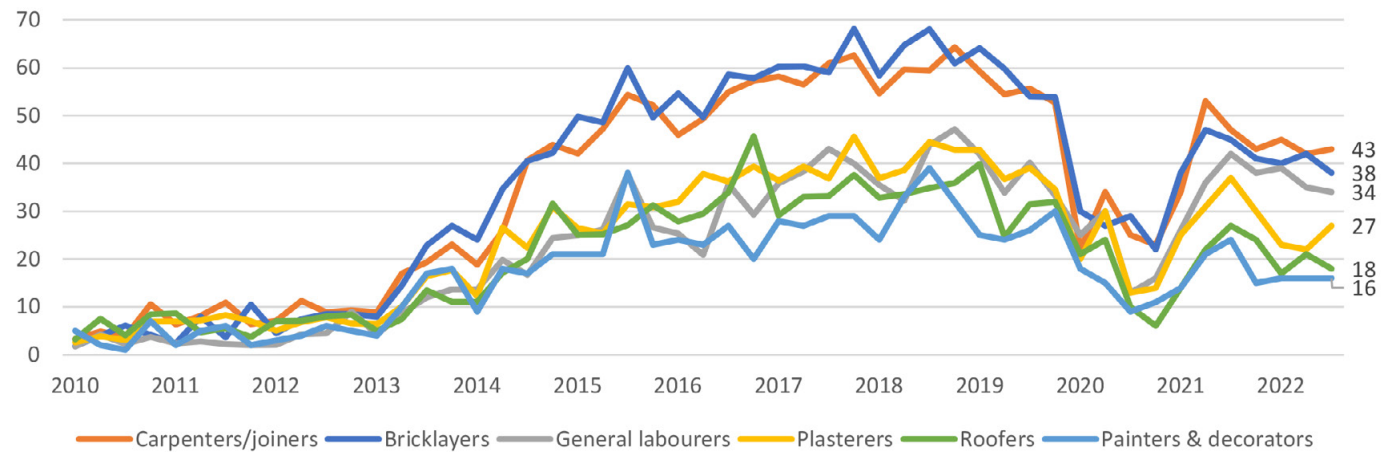
Graph 4 - Q6. Looking back, how has the level of enquiries regarding future work changed in the period July - September 2022 compared to April - June 2022? Base: Total enquiries (n=251); House building (n=142); Repair, maintenance and improvement (n=238); Industrial or commercial (n=127). Excluding N/As Net balance of change

## Employment and skills shortages

The rate of increase in employment of workers by SME and micro construction firms continues to fall, according to the latest State of Trade data. 20% of FMB members reported an increase in the number of employees within their company's workforce during July – September 2022, compared to April – June 2022. While 17% state that this had decreased, 63% reported no change.

Similar to Q2, carpenters/joiners, bricklayers and general labourers were the most difficult occupations to recruit in Q3, with at least one third of FMB members struggling to recruit each occupation (43%, 38%, and 34% respectively). The proportion of members experiencing difficulties recruiting plasterers has increased by 5% since Q2, while the proportion reporting difficulties recruiting roofers has decreased by 3% since Q2. Difficulties recruiting painters and decorators have remained constant since Q2 (16%). Difficulties in sourcing staff within the construction sector haven't been helped by underinvestment in training the next generation in schools and colleges, and the continued failure by schools to advocate construction as a positive career choice. The shortage also goes hand in hand with the aging workforce, alongside increased recruitment costs.

Difficulty in recruiting for each of the following occupations



Graph 5 - Q10. For which of the following trades has your company found it difficult to recruit skilled staff over the period of July - September 2022? Base: Total (n=251)



**“Decent labour availability has been damaged by Brexit. Plenty of poor-quality people around, and few who are reliable, or consistently hard working. Massive loss to the industry.”**

– FMB member

## Prices and costs

Despite materials shortages improving within the industry (with current pockets of difficulty focused on items that require energy intensive production, or the inclusion of semi-conductors), the majority of FMB members continued to report a rise in prices and costs in Q3 2022. Positively, these pressures have eased slightly since Q2. Nine in ten (90%) FMB members report an increase in material costs on balance (compared to 98% in Q2). Nearly seven in ten (67%) report an increase in wages and salaries on balance (compared to 71% in Q2). Moreover, on balance, 76% state that the prices they charge for work have increased (compared to 81% in Q2). While prices might be falling for particular building materials such as timber, it is worth remembering that they are coming down after a significant rise over the past 18-24 months. The FMB has sought to support members to communicate the impacts of global events on the price of their building projects, by introducing new flexibility clauses that can be added to standard FMB contracts.

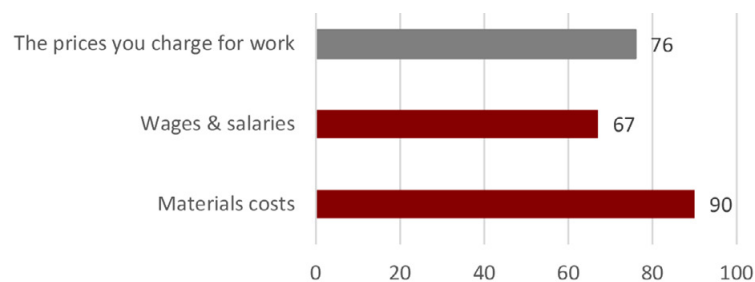
In line with both Q1 and Q2 2022, the majority of FMB members expect a continuation of rises in prices and costs into the next quarter. However, the expected increases are lower than those anticipated in Q2. Nearly nine in ten (88%) expect material costs to increase in Q4 2022 (compared to 95% in Q2) and around half (54%) expect an increase in wages & salaries (compared to 63% in Q2). Following this, nearly seven in ten (68%) on balance anticipate a rise in the prices they charge for work (compared to 76% in Q2).



**“Material costs are fluctuating too much, meaning if we have signed a fixed price contract we don’t know if we will make a profit. Standards of tradesman has dropped significantly because of the quality of recruitment into the industry. We need to make the construction industry a much more attractive proposition in order to attract better people.”**

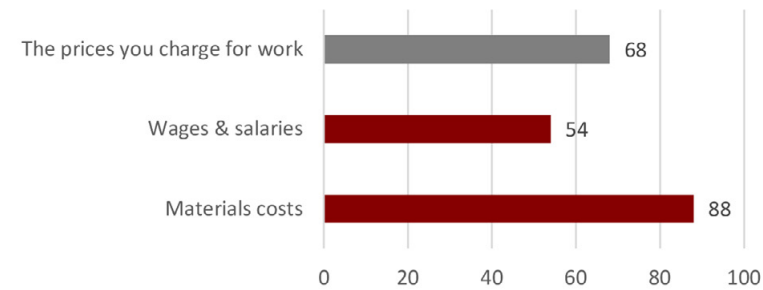
– FMB member

**Past quarter prices and costs  
July – September 2022**



Graph 6 - Q11. How have both the prices that you charge for work, and your outgoing costs changed over the period of July – September 2022? Base: The prices you charge for work (n=249); Wages & salaries (n=250); Materials costs (n=250) Excl N/As. Net balance of change.

**Expected Prices and costs  
October – December 2022**



Graph 7 - Q12. And how do you expect both the prices that you charge for work, and your outgoing costs to change over the period of October – December 2022? Base: The prices you charge for work (n=245); Wages & salaries (n=248); Materials costs (n=243) Excl N/As. Net balance of change

## Impact of materials and skills pressures on building contracts ('jobs')

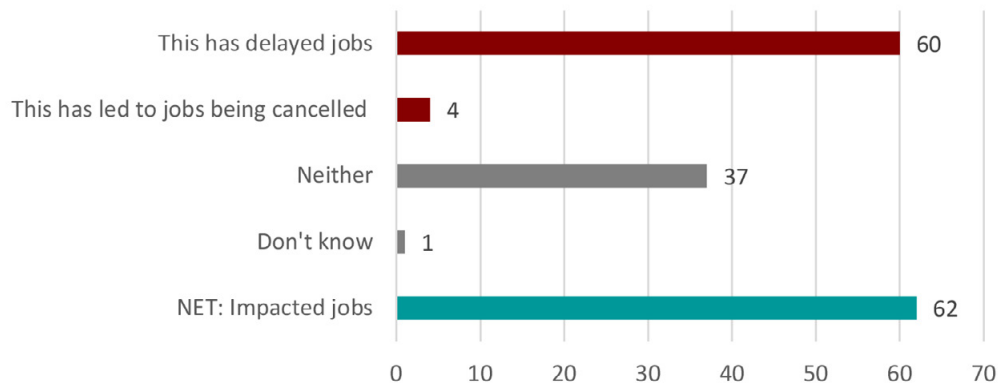
Around six in ten (62%) of FMB members have had building contracts impacted by the lack of materials in Q3 2022. Despite this large proportion reporting an impact on building work, the level has decreased since Q2 2022 by 12 percentage points (from 74% on balance). Moreover, 60% state that the lack of materials has delayed jobs, while only 4% report that this has led to jobs being cancelled.

FMB members have reported that a lack of skilled tradespeople may be causing more disruption and delays to jobs. In line with Q2, two thirds (66%) state that the lack of skilled tradespeople available has impacted their jobs in Q3 2022. Furthermore, 59% have had jobs delayed by this, and 12% have had jobs being cancelled. Industry and governments much work together to invest in training the next generation of workers.

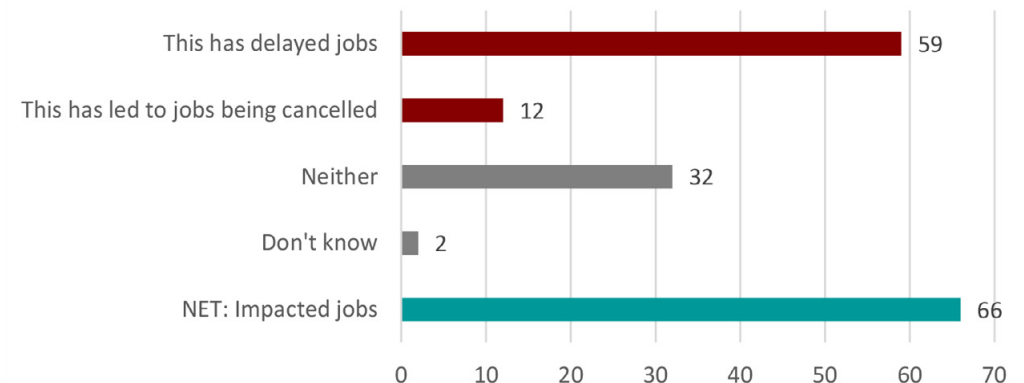


**"We have a poor education system churning out poorly prepared young adults, not fit to employ or train, only going to get worse."**  
 – FMB member

**Impact of lack of materials  
July – September 2022**



**Impact of lack of skilled tradespeople  
July – September 2022**

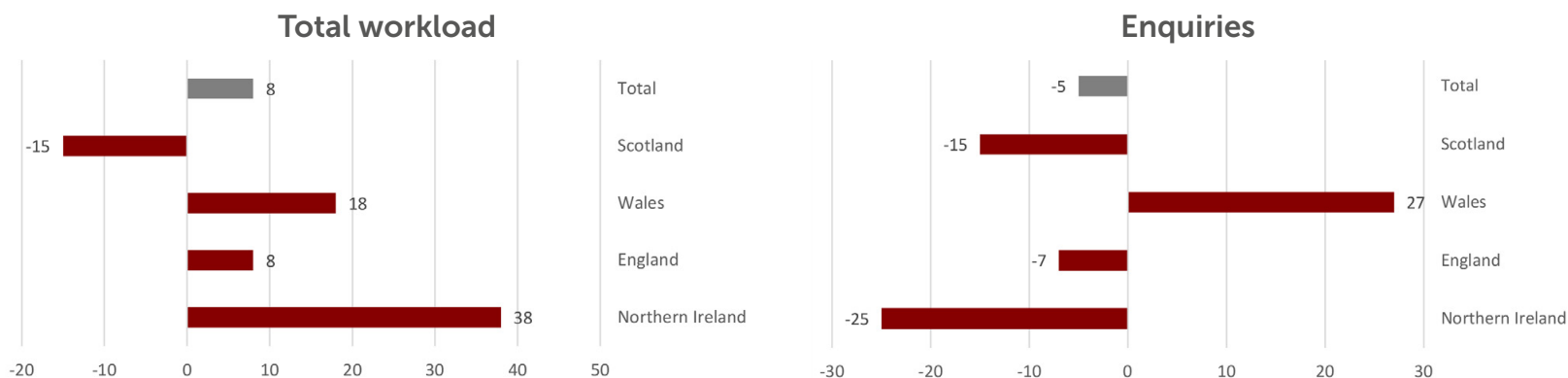


Graph 8 - Q13. How, if at all, have each of the following impacted your company's work over the period of July – September 2022? Base: All respondents (n=251)



## Key indicators in the UK nations

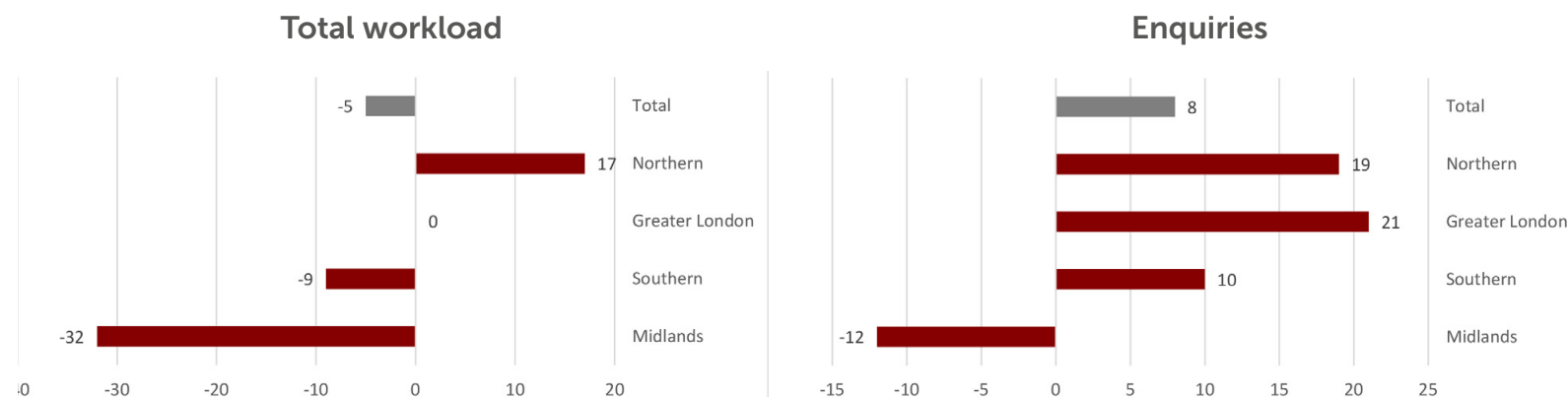
Compared to the last quarter, figures indicate that FMB members' workload in Q3 2022 has declined considerably in Scotland, Wales and England since Q2 2022 (-15%, 18% and 8% vs. 39%, 32% and 16%). Whereas the total workload in Northern Ireland has risen considerably in the recent quarter to 38%, compared to Q2 where it was 15%. Our data also indicates that in Q3 enquiries also decreased in Scotland and England compared with Q2 2022 (-15% and -7% vs. 35% and 2% respectively). However, there has been a rise in enquiries within Wales since Q2 2022 (27% vs. 11% respectively). While still considerably low, indicative enquiries in Northern Ireland have increased slightly in the recent quarter to -25% from -31% in Q2.



Graphs 9 and 10 - Q3/Q6. Base: England (n=201); Wales\* (n=22); Scotland\* (n=20), Northern Ireland\* (n=8) \*Caution: Results should be treated as indicative due to limited base size. Net balance of change

## Key indicators from the English regions

A sharp decline in demand in the Midlands appears to be driving most changes in Q3 2022. While most regions in England have experienced an increase in workload, the Midlands has seen a net decrease of -12% (compared to a net increase of 14% in Q2 2022). The South has also seen a decline in total workload from a 16% increase on balance in Q2 to 10% in Q3. By contrast, total workload in both Greater London and the North has held steady since Q2 2022 (21% and 19% on balance vs. 17% and 18% respectively). The decline in demand for both workload and enquiries could be a direct reflection of the current economic state. The FMB is looking to the new Prime Minister to deliver stability, and economic growth. Helping consumers across the country with cost of living pressures that mean they are not prompted to cut back on planning home improvements, not least those that might make their homes warmer and cheaper to heat. The North also leads the UK in terms of enquiries, which have dramatically increased since Q2 (17% vs. -11%). By contrast, enquiries within the South have seen a decline from 9% in Q2 2022, to -9% in Q3 2022, as they have in Greater London. The level of enquiries in the Midlands have seen an even greater decline this quarter (-32% vs. -9% in Q2 2022).



Graphs 11 and 12 - Q3/Q6. Base: Northern (n=48); Midlands (n=34); Southern (n=119); Greater London (n=38). Net balance of change.

### **For more information**

This quarter, the survey was issued between 27 September to 11 October and received 251 completes. It was published in October 2022

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

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