



FEDERATION OF
**MASTER
BUILDERS**

fmb.org.uk

State of Trade Survey

**Q1
2019**

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Foreword

Brian Berry, Chief Executive, Federation of Master Builders

The first three months of 2019 saw the first fall in workloads for small and medium-sized (SME) construction firms in six years. These results are very much in line with other recent statistics regarding construction output and together, they give real cause for concern for the Government and industry alike.

With Brexit delayed for up to five more months, political uncertainty continues to reign supreme and is likely to carry on affecting both business confidence and consumer confidence. Construction is particularly vulnerable to dips in consumer confidence so none of this bodes well for workloads and enquiries among small construction firms.

Added to that, skills shortages remain significant with almost two-thirds of construction SMEs reporting difficulties hiring bricklayers and just under 60 per cent struggling to hire carpenters. These shortages will put pressure on wages and salaries with even more employers expecting these to increase over the next six months. What's more,

expectations regarding material price increases have edged up once more with a record-breaking 88 per cent of firms expecting rises in the coming months. All in all, a worrying set of results for the construction SME sector.



“First fall in workloads for SME construction firms in six years”

Key statistics

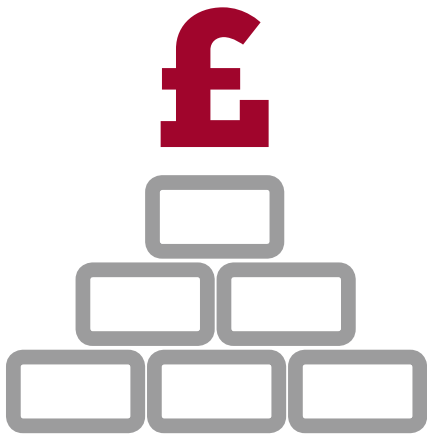
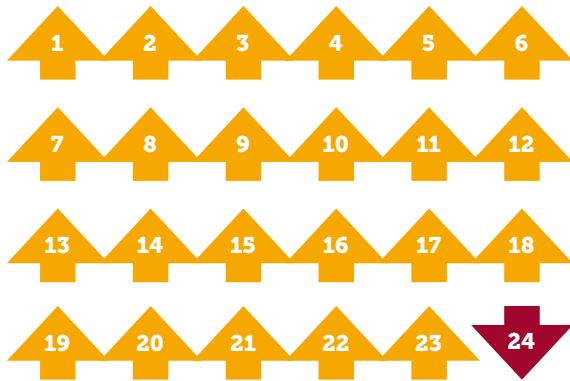


29%

of construction SMEs report declining workloads

At the UK level, construction SME workloads declined for the first time in six years as more respondents stated lower workloads compared with the final three months of 2018 (29% compared with 13%)

These results broke the trend of 23 consecutive quarters of positive growth



A record-breaking 88% of builders believe that material prices will rise even further in the next six months



71% of construction SMEs foresee wage increases over the next six months, up from 66% in the previous quarter



Skills shortages remain significant with 64% of construction employers struggling to hire bricklayers and 59% struggling to hire carpenters



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 2019, SME workloads declined for the first time in six years as more respondents stated lower workloads (29% vs. 13%). However, nearly half (49%) of members indicated no change to workloads, slightly down from 50% in the previous quarter.

Nevertheless, expectations for the future have strengthened with 41% of firms forecasting higher workloads over the coming three months, up from 33%. In contrast, those predicting lower workloads dropped to 16% from 19%.

While England's composite indicator experienced no change to activity levels since Q4 2018, the other home nations saw activity rise at a faster pace.

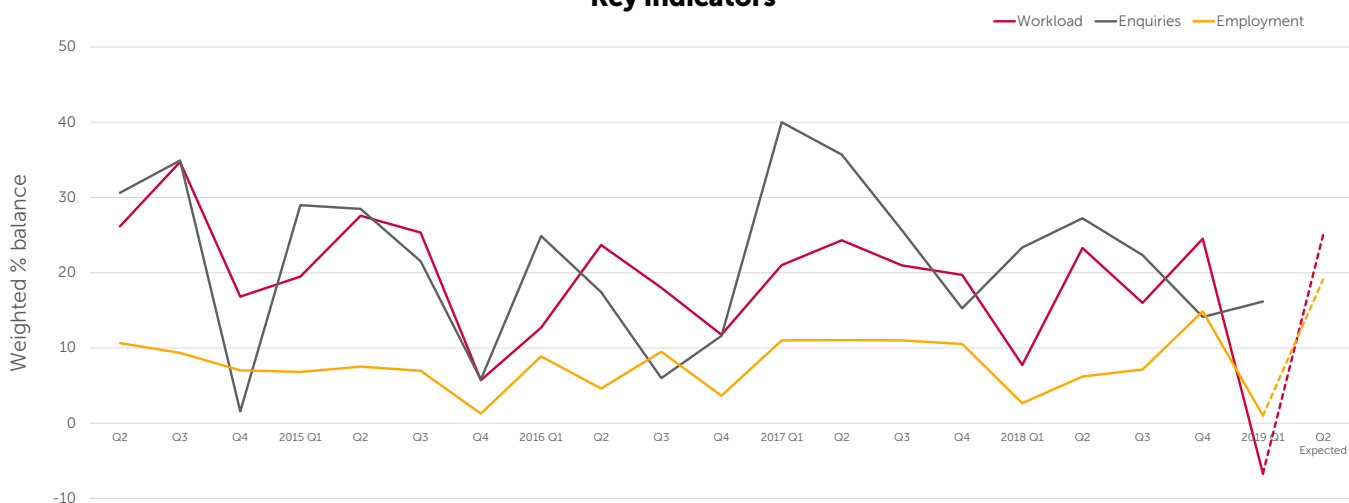
Over the next six months, output prices, material costs and wages and salaries are all likely to rise. This is in spite of the deterioration in the net balance for output prices.

SME employment activity slowed. Despite this it remained in positive territory for the twenty-first successive quarter: The share of firms indicating a rise in their workforce declined (17% vs. 26%), while around 16% of respondents stated lower staffing levels, up from 11%.

“Over the next six months, output prices, material costs, wages and salaries are all likely to rise”



Key indicators



Please note: Q2 2019 reflects respondents' expectations for workload and employment

Residential workloads

In the first three months of this year, the net balance for overall workloads moved back into negative territory as it decreased by 32 percentage points to -7. This is the first negative reading since Q1 2013. The proportion of members stating a rise in workloads declined to 22% from 37%, while the percentage of respondents indicating lower workloads rose to 29% from 13%.

Despite decreasing by 16 percentage points, the net balance for the private RM&I sector (+2) remained in positive territory for the twenty third successive quarter. Around a quarter of businesses stated higher workloads, down from 32%, while those indicating lower workloads increased to 23% from 14% three months earlier.

The private new housing sector's net balance moved into negative territory as it deteriorated by 29 percentage points to -9. Fewer firms reported higher workloads (16% vs. 36%) whereas more respondents indicated lower workloads (25% vs. 15%). However, over half (59%) of businesses stated no change in workloads.

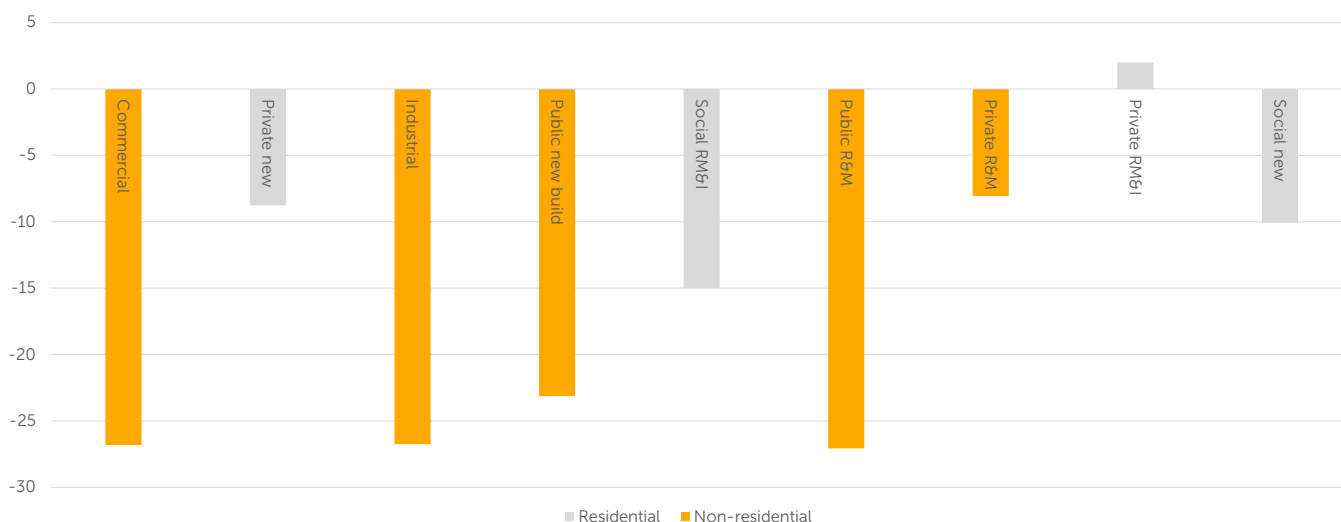
The overall housing sector's net balance fell back into negative territory as it plunged by 31 percentage points to -9. Just 14% of firms stated higher workloads, down from the 36% registered in the previous quarter. In contrast, around 23% of respondents indicated lower workloads, up from 15%.

With a drop of 32 percentage points, the overall non-residential sector's net balance also moved into negative territory (-22). Just under a tenth (9%) of firms indicated higher workloads, down from 26%, while those stating lower workloads jumped to 31% from 16%.

"This is the first negative reading since Q1 2013"



Total workload by sector for Q1 2019



Weighted % balances

Workload	2017 Q2	Q3	Q4	2018 Q1	Q2	Q3	Q4	2019 Q1
Private new	+27	+7	+1	-3	+11	+8	+20	-9
Private RM&I	+19	+12	+18	+8	+24	+17	+18	+2
Social new	+3	-15	-17	-14	-4	-6	+1	-10
Social RM&I	+5	-4	-15	+4	-1	-4	+9	-15
Total Residential	+16	+10	+11	-1	+12	+5	+22	-9

The net balance for the **private new** housing sector declined by 29 percentage points to -9. The percentage of firms reporting a decrease in workloads grew (25% vs. 15%), whereas those registering higher workloads went down to 16%, from 36%.

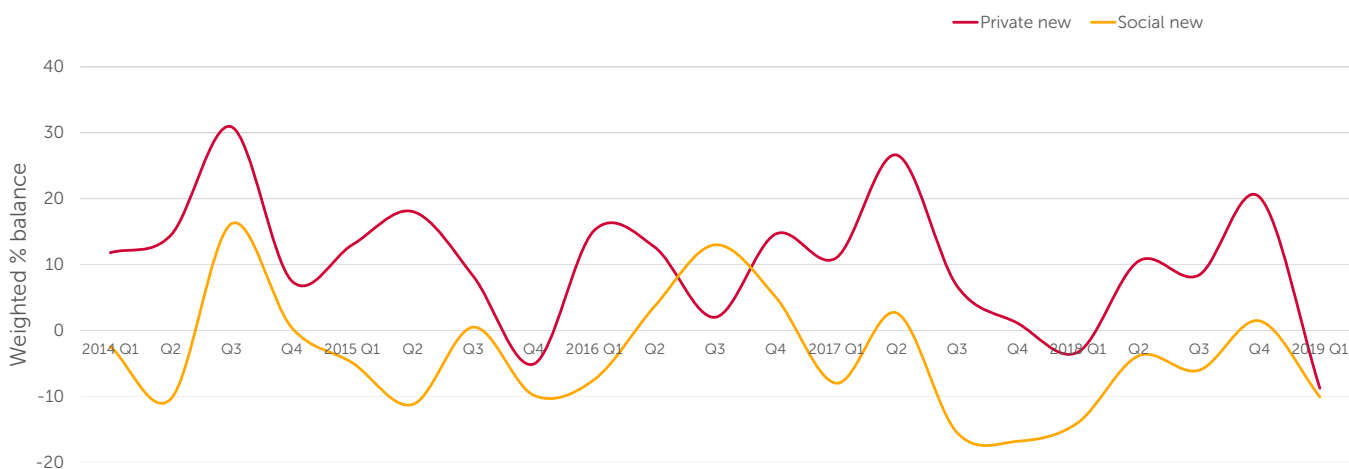
A positive reading for the **social new** housing sector's net balance was temporary as the latest data shows it deteriorated by 11 percentage points to -10. Just 7% of firms recorded higher workloads, down from 13%, while approximately 17% of members reported lower workloads, up from 12% in the previous quarter.

The net balance for the **social RM&I** sector decreased by 24 percentage points to -15. Approximately 18% of respondents indicated a decline in workloads, up from 8%, while the majority of businesses (79%) indicated no change to workloads, up from 75%.

Despite falling by 16 percentage points, the **private RM&I's** net balance (+2) remained in positive territory for the twenty third consecutive quarter. More firms reported lower workloads (23% vs. 14%) whereas fewer respondents (25% vs. 32%) indicated a rise in workloads.

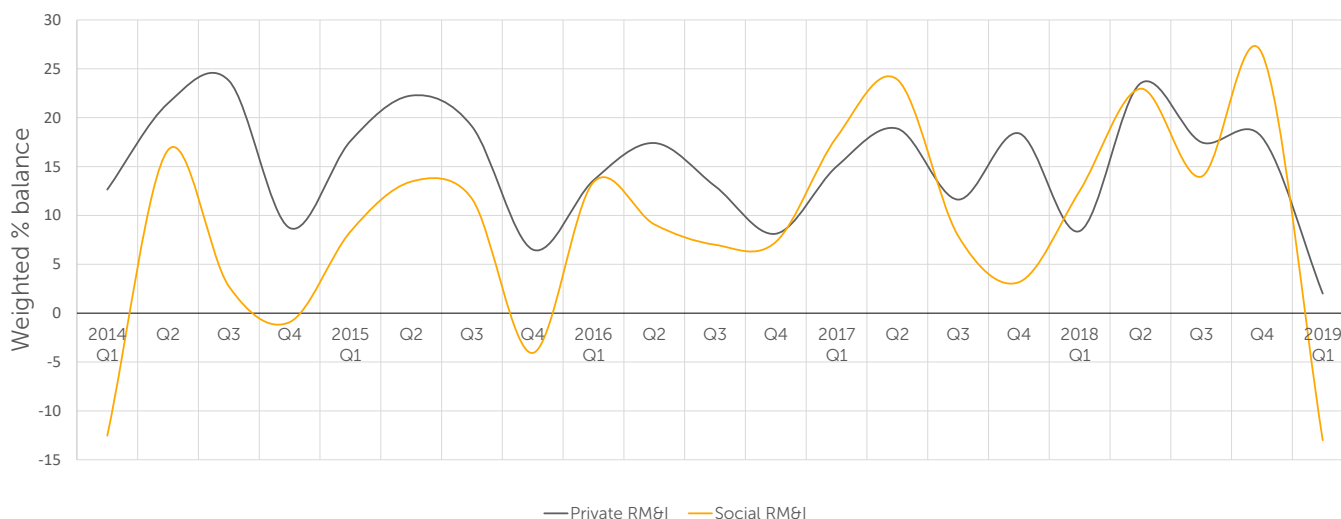
"The private RM&I's net balance remained in positive territory for the 23rd consecutive quarter"

Residential weighted % balance for new build



Residential workloads

Residential historical weighted % balance for RM&I



Non-residential workloads

Weighted % balances

Workload	2017 Q2	Q3	Q4	2018 Q1	Q2	Q3	Q4	2019 Q1
Public new build	+3	-5	-7	-5	+1	+8	+2	-23
Public R&M	-11	-18	-3	-3	-2	-7	-7	-27
Industrial	+2	+1	+7	0	+3	+11	0	-27
Commercial	+14	+2	+19	+6	+3	+15	+16	-27
Private R&M	0	+6	+6	+2	+7	+5	+10	-8
Total non-residential	+8	+8	+16	-2	+9	+22	+10	-22

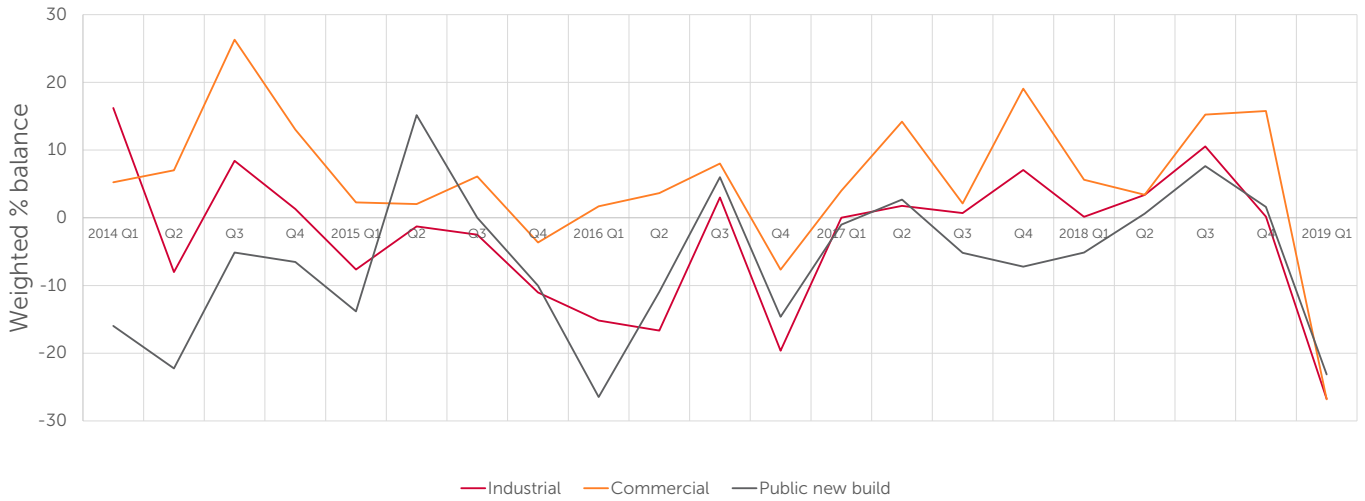
A drop of 25 percentage points took the net balance for the **public new build** sector to -23. Just under a tenth of members (9%) stated higher workloads, down from 16% while members indicating lower workloads grew, to 32% from 14%.

The **commercial** sector's net balance plummeted by 43 percentage points to -27. Around 12% of respondents reported higher workloads, down from 31% three months earlier. In contrast, more businesses (39% vs. 15%) indicated lower workloads.

The net balance for the **industrial** sector declined by 27 percentage points to -27. Just over a third (34%) of firms indicated lower workloads, up from 16%, while those registering higher workloads dropped to 7% from 16%.

"The commercial sector's net balance plummeted by 43 percentage points to -27"

Non-residential historical weighted % balance for new work

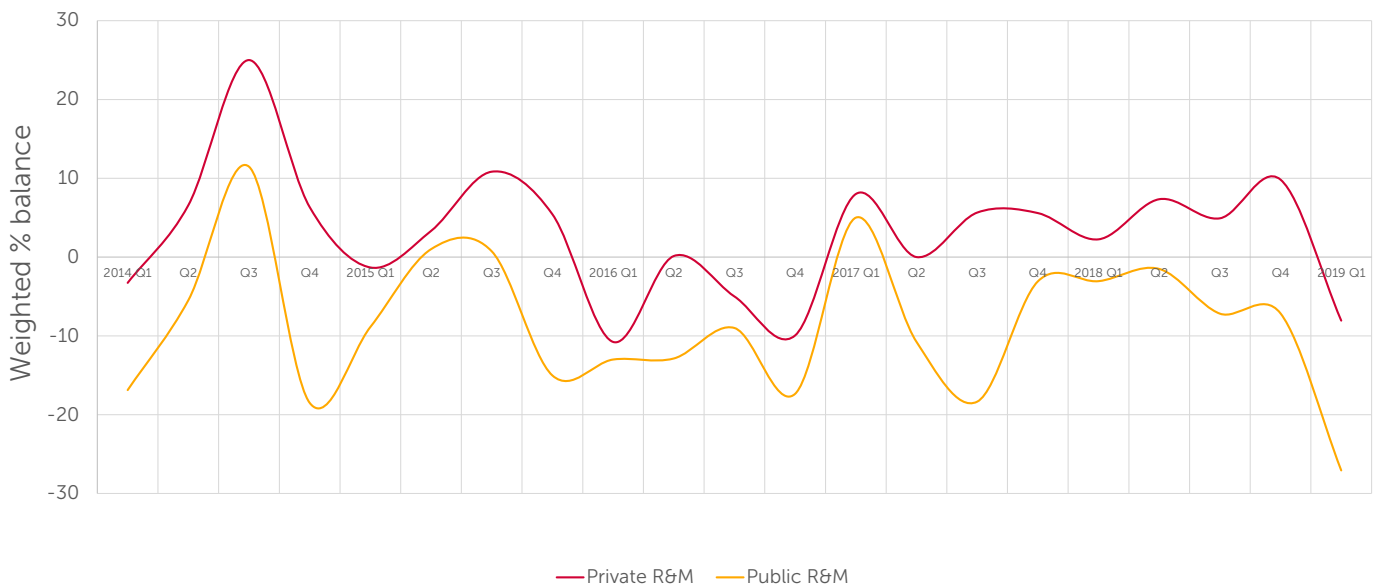


A fall of 20 percentage points took the **public R&M** sector's net balance to -27. Just 5% of firms indicated higher workloads, slightly down from 6% in the previous quarter. In contrast, 32% of businesses recorded lower workloads, up from 13%. At 63%, most firms stated no change in workloads, down from 81%.

The **private R&M** sector's net balance moved into negative territory as decreased by 18 percentage points to -8. Approximately 17% of respondents stated higher workloads, down from 23%, while a quarter of firms indicated lower workloads, up from 13%. The majority of businesses (58%) registered no change to workloads.



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



Expected workloads over the next three months and enquiries

Surprisingly, the net balance for total enquiries rose by 2 percentage points to +16, remaining in positive territory for the twenty fourth consecutive quarter. The share of respondents reporting higher levels of enquiries went up to 39% from 32%, while around 23% of respondents registered lower enquiries, up from 18%.

An increase of 11 percentage points took the net balance for total expected workloads to +25. The proportion of businesses predicting higher workloads jumped to 41% from 33%, while respondents forecasting lower workloads decreased to 16% from 19%.



Residential expected workloads

The residential sector's net balance edged down by 1 percentage point to +11. Around 29% of members anticipate higher workloads over the next three months, slightly down from 30%. However, those expecting lower workloads was unchanged at 18%.

A rise of 7 percentage points took the **private new** housing market's net balance to +11. A third of respondents indicated positive expectations for workloads, up from 26% while those anticipating lower workloads remained at 22%. Approximately 45% of members foresee no change to workloads, down from 52%.

The net balance for the **social new** housing sector remained in positive territory for the second successive quarter as it rose by 2 percentage points to +8. Around 22% of respondents

predict higher workloads, up from 15%. In contrast, those predicting no change in workloads fell to 64% from 76%.

The net balance for the **social RM&I** sector moved back into positive territory as it went up by 5 percentage points to +4. More respondents (19% vs. 13%) envisage higher workloads over the next three months, while approximately two-thirds of businesses anticipate no change in workloads, down from 73%.

The **private RM&I** sector's net balance jumped by 23 percentage points to +23. Firms expecting lower workloads declined to 16% from 20%, whereas the share of respondents forecasting higher workloads nearly doubled (39% vs. 20%). However, around 45% of members envisage no change to workloads, down from 60% in the previous quarter.

"Surprisingly, the net balance for total enquiries rose by 2 percentage points to +2"

Weighted % balances

Expected Workload	2017 Q2	Q3	Q4	2018 Q1	Q2	Q3	Q4	2019 Q1
Private new	+32	+24	-3	+28	+20	+10	+4	+11
Private RM&I	+28	+23	+12	+31	+36	+18	0	+23
Social new	+8	0	-3	+5	+8	-2	+6	+8
Social RM&I	+9	+7	-2	+14	+4	+4	-1	+4
Total residential	+33	+24	+12	+28	+20	+11	+12	+11
Enquiries								
Private new	+25	+17	+4	+18	+24	+12	+7	-3
Private RM&I	+32	+19	+8	+18	+25	+20	+7	+11
Social new	0	-3	-17	+13	-2	+6	+12	-3
Social RM&I	+11	+1	-9	+5	-1	+2	+8	+5
Total residential	+23	+22	+10	+15	+16	+17	+12	-2

Non-residential expected workloads

The net balance for non-residential expected workloads fell by 19 percentage points to -7. Around 18% of respondents expect higher workloads, down from 25%, while more businesses foresee lower workloads (25% vs. 14%). Over half of firms (57%) expect no change to workloads, down from 61%.

The **public R&M** sector's net balance increased by 3 percentage points to -3. More firms (16% vs. 10%) envisage higher workloads while at 65%, the majority of respondents predict no change to workloads, down from 73%.

A rise of 9 percentage points took the **private R&M** sector's net balance to +11. Approximately 27% of respondents expect higher workloads, up from 18%. In contrast, around 57% of businesses forecast no change to workloads, down from 66% in the previous quarter.

The **industrial** sector's net balance moved back into negative territory as it decreased by 24 percentage points to -13. The proportion of businesses envisaging lower workloads grew to 24% from 10%, while just over a tenth (11%) of respondents foresee higher workloads, down from 21%. Around 65% of members anticipate no change to workloads, down from 69%.



The **public new build** sector's net balance moved into positive territory as it jumped by 16 percentage points to +3. Just under a quarter of firms (24%) forecast higher workloads, up from 8%. In contrast, those expecting lower workloads was unchanged at 21%. At 56%, most firms predict no change to workloads, down from the 71% reported in Q4 2018.

A decline of 6 percentage points took the **commercial** sector's net balance to +4. The percentage of respondents anticipating higher workloads edged down to 24% from 25%, while a fifth of businesses anticipate lower workloads, up from 15%. The majority of members (56%) expect no change to their workloads, down from the 60% registered three months earlier.

"The public R&M sector's net balance increased by 3 percentage points to -3"

Weighted % balances

Expected Workload	2017 Q2	Q3	Q4	2018 Q1	Q2	Q3	Q4	2019 Q1
Public new build	+11	-4	+2	+9	+8	-10	-13	+3
Public R&M	0	+1	+3	+5	+8	-9	-6	-3
Industrial	+13	+16	+7	+15	-3	+5	+11	-13
Commercial	+16	+17	+13	+32	+11	+2	+10	+4
Private R&M	+15	+13	+3	+16	+15	+6	+2	+11
Total non-residential	+3	+13	+10	+19	+12	0	+12	-7
Enquiries								
Public new build	+7	-5	-3	+7	+2	+3	-9	-18
Public R&M	+4	+4	-3	+6	+1	+4	0	-8
Industrial	-2	+13	+4	+6	0	+7	-1	-13
Commercial	+14	+16	+15	+12	+15	+6	+9	-7
Private R&M	+6	+10	+4	+10	+9	+1	+7	+9
Total non-residential	+10	+7	+14	+3	0	+13	+5	-5

Prices and costs

Weighted % balances

Actual	2017 Q2	Q3	Q4	2018 Q1	Q2	Q3	Q4	2019 Q1
Output prices	+48	+36	+43	+40	+45	+43	+48	+45
Wages & salaries	+59	+61	+63	+52	+62	+62	+59	+58
Materials costs	+89	+81	+87	+90	+89	+85	+85	+91

Weighted % balances

Expected	2017 Q2	Q3	Q4	2018 Q1	Q2	Q3	Q4	2019 Q1
Output prices	+65	+61	+64	+60	+54	+62	+67	+55
Wages & salaries	+62	+58	+61	+66	+53	+56	+66	+71
Materials costs	+82	+82	+87	+83	+76	+86	+87	+88

The net balance for expected output prices dropped by 12 percentage points to +55. Approximately 61% of firms expect higher output prices over the next six months, down from 69%. However, 32% of firms foresee no change to output prices, up from 30%.

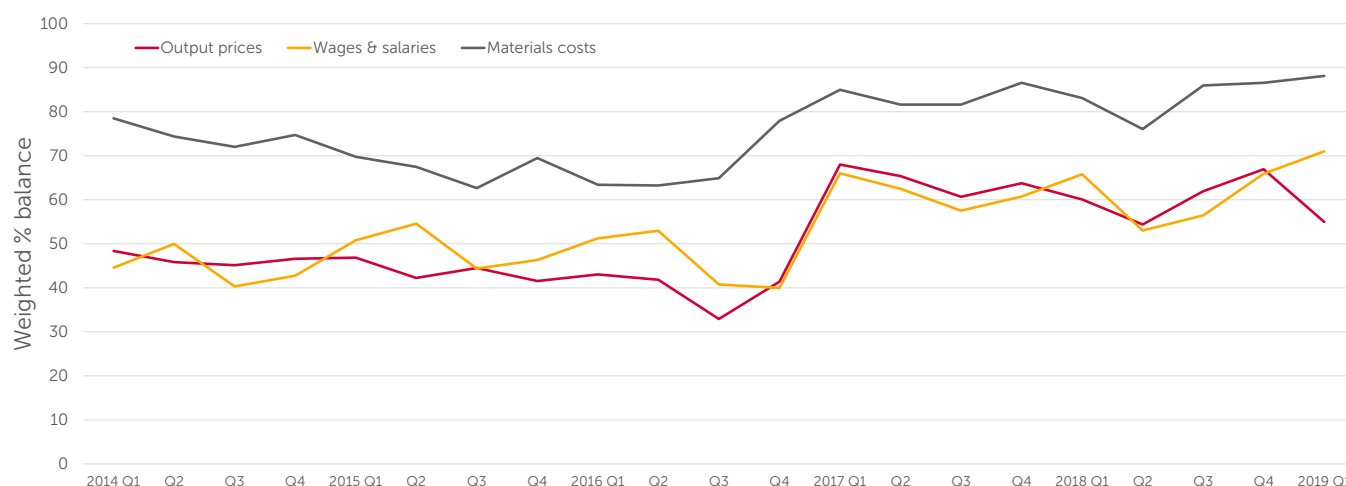
A rise of 5 percentage points took the net balance for expected wages and salaries to +71. Approximately 71% of members predict wage increases, up from 66% in the final quarter of 2018,

while around 29% of respondents anticipate no change in wages and salaries, down from 34%.

The net balance for expected material costs grew by 1 percentage point to +88. Approximately 88% of businesses anticipate higher material costs over the coming six months, slightly up from 87%. In contrast, those forecasting no change to material costs, edged down to 12% from 13%.

"88% of businesses anticipate higher material costs over the coming six months"

Prices and costs weighted % balance



Employment and labour

Weighted % balances

Employment	2017 Q2	Q3	Q4	2018 Q1	Q2	Q3	Q4	2019 Q1
All builders	+10	+10	+8	+4	+7	+7	+16	+3
All specialists	+12	+12	+13	+2	+5	+8	+14	-3
Total employment	+11	+11	+11	+3	+6	+7	+15	+1

Weighted % balances

Expected employment	2017 Q2	Q3	Q4	2018 Q1	Q2	Q3	Q4	2019 Q1
All builders	+29	+26	+28	+32	+23	+19	+18	+20
All specialists	+29	+21	+22	+19	+15	+18	+13	+18
Total employment	+29	+23	+25	+26	+19	+19	+16	+19

The total employment net balance dropped by 14 percentage points to +1. Around 17% of firms recorded a rise in staffing levels, down from 26%, whereas those stating falls in employment grew to 16% from 11%. However, at 67%, most businesses indicated no change to the workforce.

A decline of 13 percentage points took the net balance for all builders to +3. Around a fifth of respondents stated higher staffing levels, down from 29% while those indicating a fall in their workforce grew to 17% from 14%. The majority of members (63%) registered no change to employment levels, up from 57% three months earlier.

“Those firms stating falls in employment grew to 16% from 11%”

The net balance for all specialists moved into negative territory as it plummeted by 17 percentage points to -3. Those reporting higher staffing levels fell (13% vs. 23%), while firms indicating a decline in their workforce rose to 16% from 9%.

With an increase of 3 percentage points, the net balance for expected total employment increased to +19. The percentage of respondents forecasting a rise in staffing levels went up (34% vs. 28%) whereas half of firms expect no change to employment levels, down from 60%.

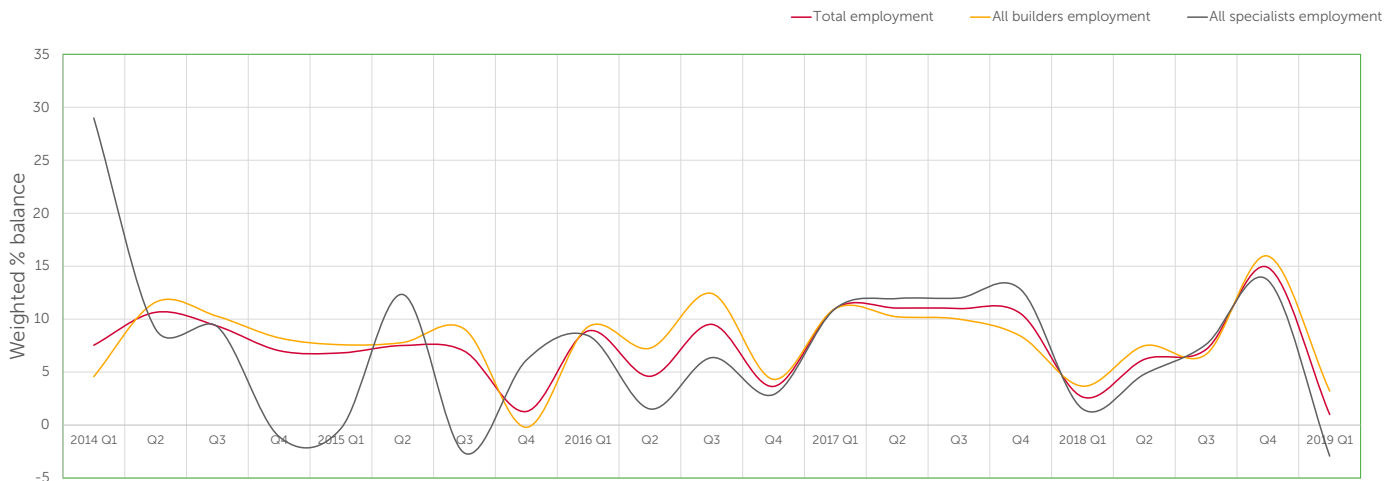
The all builders expected employment net balance edged up by 2 percentage points to +20. The share of firms wanting to increase staff went up to 36% from 31%, while around 49% of respondents forecast no change to their workforce, down from the 55% recorded in Q4 2018.

The specialists' expected employment net balance grew by 5 percentage points to +18. A third of respondents predict a rise in employment, up from 24%, while just over half (52%) of firms expect no change to workloads, down from 65%.



Employment and labour

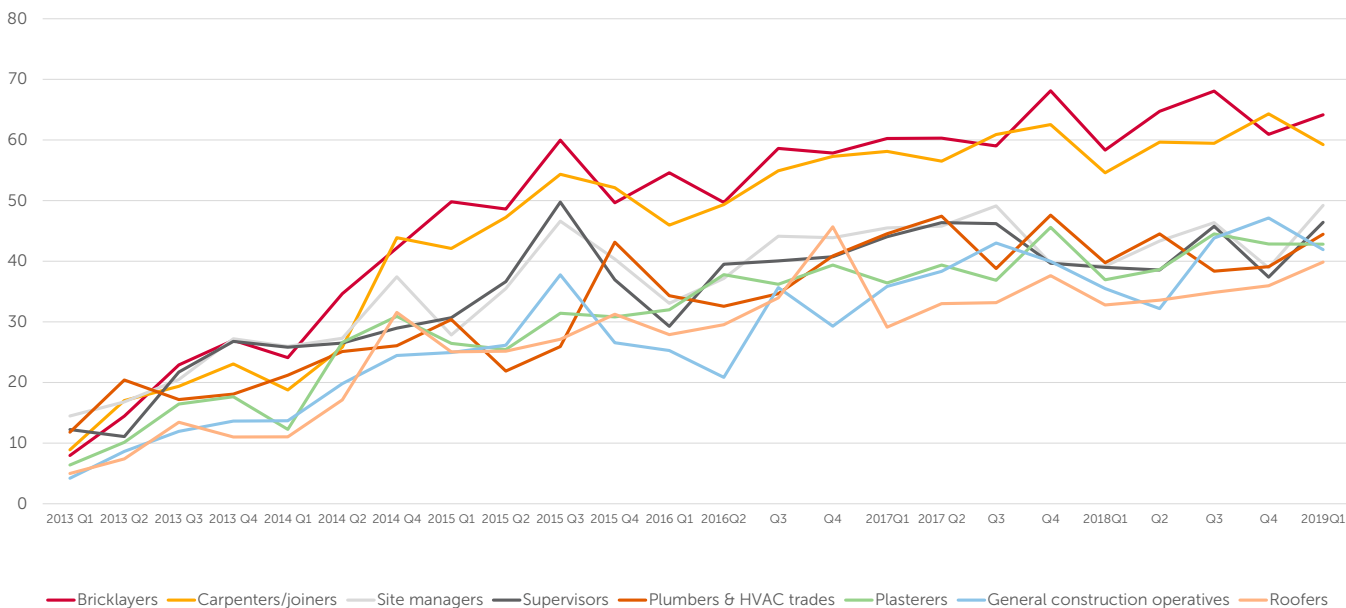
Employment weighted % balance



Bricklayers were reported as being the most difficult to recruit in the first quarter of 2019. Carpenters/joiners and site managers were also hard to come by. As is usually the case, scaffolders were the easiest to hire.

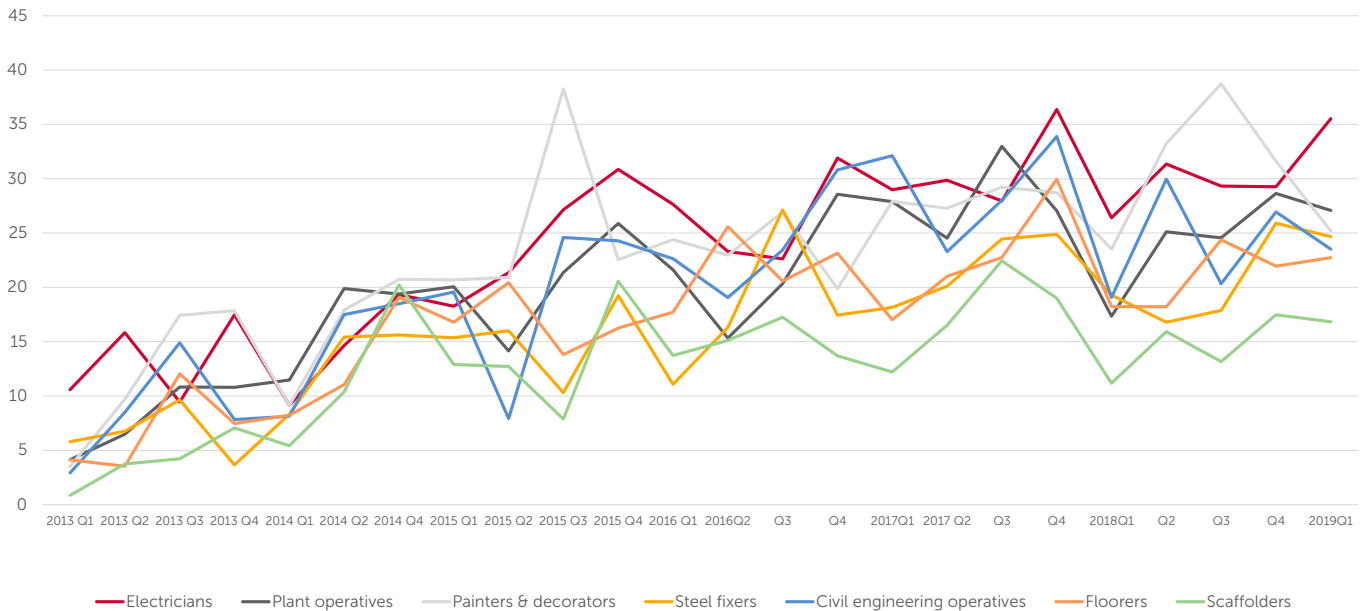
"64% of firms reported bricklayers as being the most difficult to recruit"

% of respondents reporting difficulty recruiting selected skills - in most short supply



Employment and labour

% of respondents reporting difficulty recruiting selected skills (continued)



% reporting difficulty

Trades	2017 Q2	Q3	Q4	2018 Q1	Q2	Q3	Q4	2019 Q1
Bricklayers	60	59	68	58	65	68	61	64
Carpenters/joiners	57	61	63	55	60	59	64	59
Site managers	46	49	40	39	43	46	39	49
Supervisors	46	46	40	39	39	46	37	46
Plumbers & HVAC trades	47	39	48	40	45	38	39	44
Plasterers	39	37	46	37	39	45	43	43
General construction operatives	38	43	40	35	32	44	47	42
Roofers	33	33	38	33	34	35	36	40
Electricians	30	28	36	26	31	29	29	36
Plant operatives	25	33	27	17	25	25	29	27
Painters & decorators	27	29	29	24	33	39	32	25
Steel fixers	20	24	25	19	17	18	26	25
Civil engineering operatives	23	28	34	19	30	20	27	24
Floorers	21	23	30	18	18	24	22	23
Scaffolders	17	22	19	11	16	13	17	17

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 went up by 2 percentage points to +13. Approximately 30% of weighted responses were positive, up from 27%, while the percentage of negative weighted responses also went up, to 17% from 16%. The share of neutral weighted responses declined to 53% from 57%.

A jump of 10 percentage points took **Scotland's** net balance to +10. Around 30% of weighted responses were positive, up from 20%, whereas negative weighted responses were unchanged at 20%. Half of weighted responses were neutral, down from 60%.

At +10, the net balance for **England** was unchanged. The proportion of positive weighted responses edged up (28% vs. 26%), while the percentage of negative weighted responses also increased, to

18% from 16%. The majority (54%) of weighted responses were neutral, down from the 58% recorded three months earlier.

Northern Ireland's net balance grew by 9 percentage points to +41. There were no negative weighted responses in the latest survey findings, which is down from the 12% registered in the previous quarter. Approximately 41% of weighted responses were positive, down from 44%, while around 59% of weighted responses were neutral, up from 44%.

Wales' net balance rose by 25 percentage points to +36. A tenth of weighted responses were negative, down from 21%, while the share of positive weighted responses increased (46% vs. 32%). Around 29% of weighted responses were neutral, down from 37%.

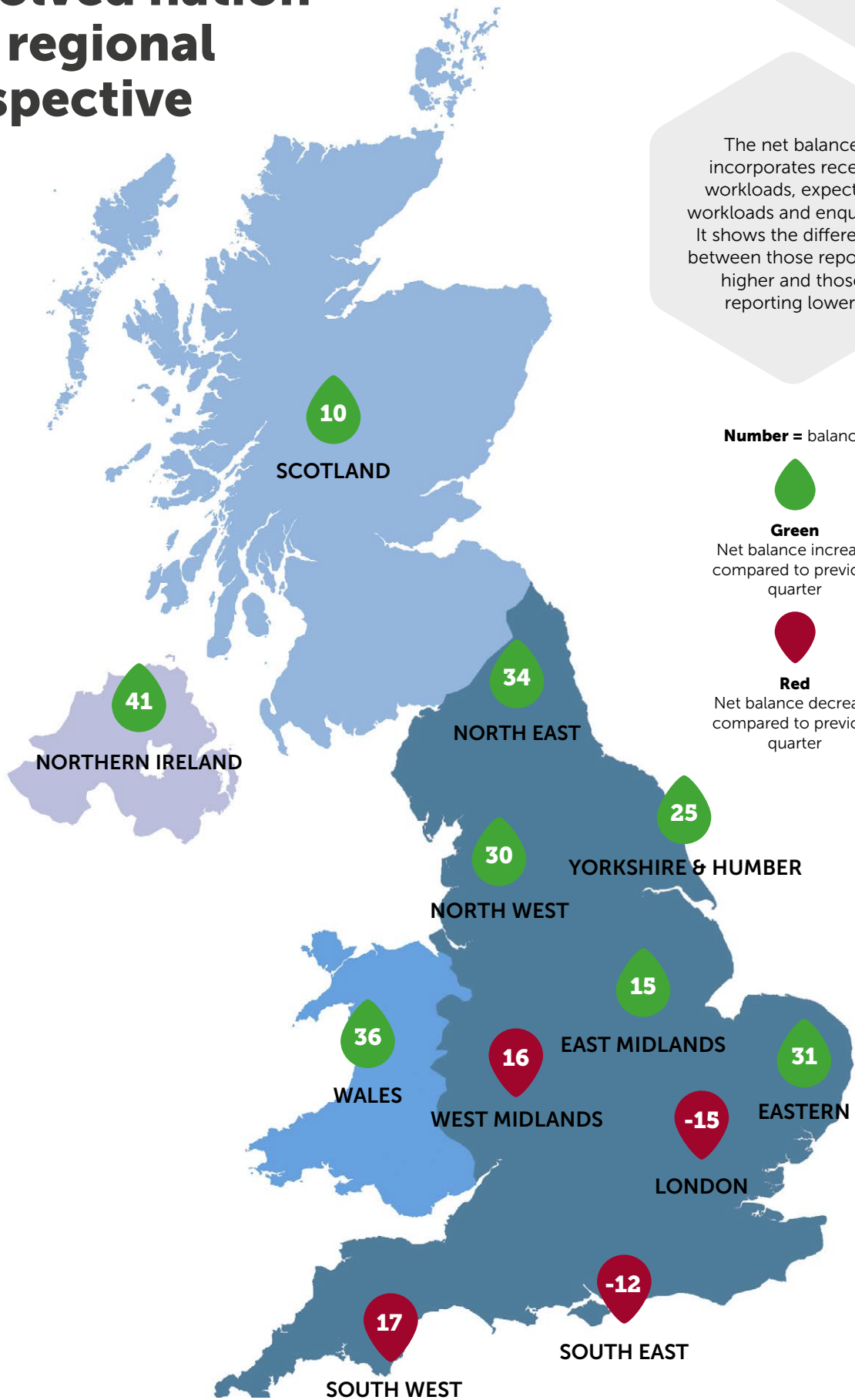
"Northern Ireland's net balance was the most positive, growing by 9 percentage points"

Weighted % balances

English region	2017 Q2	Q3	Q4	2018 Q1	Q2	Q3	Q4	2019 Q1
East Midlands	+39	+46	+37	+26	+15	+8	+2	+15
Eastern	+42	+34	+11	+7	+33	+26	+10	+31
London	+23	+19	+15	+10	+12	+12	+3	-15
North East	+28	+23	+25	+12	+28	+32	+19	+34
North West	+19	+25	+6	+20	+28	+22	-8	+30
South East	+32	+26	+23	+17	+25	+20	+14	-12
South West	+24	+14	+4	+20	+17	+18	+21	+17
West Midlands	+8	+36	-4	+31	+25	-7	+19	+16
Yorks & Humber	+8	+28	-9	+19	+20	+16	-3	+25

Nation	2017 Q2	Q3	Q4	2018 Q1	Q2	Q3	Q4	2019 Q1
England	+25	+22	+14	+17	+21	+17	+10	+10
Northern Ireland	+4	+12	-7	+26	+47	+22	+32	+41
Scotland	+13	+7	-12	+7	+24	+19	0	+10
Wales	+26	+6	+19	+39	+14	+28	+11	+36
UK	+24	+23	+12	+18	+22	+17	+11	+13

Devolved nation and regional perspective





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 fewer than ten 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.

For more information about the FMB State of Trade Survey please contact the Policy and Public Affairs team at the Federation of Master Builders via publicaffairs@fmb.org.uk or **020 7025 2947**.