



FEDERATION OF
**MASTER
BUILDERS**

fmb.org.uk

State of Trade Survey

**Q4
2019**

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Foreword

Brian Berry, Chief Executive, Federation of Master Builders

The final quarter of 2019 was unprecedented. Long-standing political divisions over Brexit in the House of Commons came to a head, causing widespread gridlock. This eventually led to the Government calling the first winter general election since 1923, resulting in the largest majority government since 1987.



This political instability has, unsurprisingly had a knock-on effect on the order books of small and medium (SME) sized construction firms. Workloads for SMEs fell back into negative territory in Q4 after two quarters of growth. Over one in five firms (21%) reported lower workloads, which is 5 per cent higher than the previous quarter.

On a more optimistic note, however, employment activity returned to positive territory for the first time since the first quarter of the year. This trend is set to continue with over a third (34%) of SME firms wanting to increase their headcount. So, while workloads have fallen, firms are feeling more confident about hiring, which is a hopeful sign.

Skills shortages, however, are still a concern, with over half of SMEs still struggling to find bricklayers (54%) and carpenters (53%) with over two in five respondents (41%) struggling to recruit site managers. Ambitious housing and infrastructure plans from the Government will require a skilled workforce to deliver these, so this trend is set to continue.

Looking ahead to the first quarter of 2020, SMEs remain hopeful, with the total expected enquires in positive territory for the 27th consecutive month. Costs are expected to increase, however, with two thirds (63%) of firms expecting higher prices over the next six months, up from 56% last quarter. A major part of this will be wage increases, with 57% of SMEs anticipating this.

The new year brings a new reinvigorated government with a large majority. The construction industry is crying out for greater certainty and economic confidence, and the Government should use its new political power to help provide this. A good place to start would be slashing the rate of VAT on domestic repair and maintenance work, to encourage homeowners not only to upgrade their homes but to make them more energy efficient.



“The final quarter of 2019 was unprecedented. Long-standing political divisions in the House of Commons came to a head, causing widespread gridlock”

Key statistics



21%
of construction
SMEs reported
lower workloads



84%
of builders believe that
material prices will rise
over the next six months



19%
of employers
reported an
increase in
staffing levels



54%
of SMEs are
struggling to hire
bricklayers



of SMEs are
struggling to hire
carpenters/joiners



37%
of
construction
SMEs are
forecasting
higher
workloads

down from
38% in
Q3 2019

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 December 2019, SME workloads fell into negative territory as fewer respondents stated higher workloads (19% vs 34%). Around 21% of firms reported lower workloads, 5 percentage points higher than the previous quarter.

Overall expectations for the future rose marginally to +20 from +19. Approximately 37% of businesses are projecting higher workloads over the coming three months, slightly down from the 38% registered in Q3 2019. In contrast, those predicting no change to workloads rose to 46% from 43%.

Northern Ireland was the only home nation to see an increase in its net balance, rising by 10 points to +9. In contrast, England's net balance dropped by 6 points to +1, while Wales (+23) and Scotland (+13) also experienced falls in their net balances of 32 percentage points and 19 percentage points respectively.

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 material costs.

SME employment activity moved back into positive territory. The share of firms indicating a rise in their workforce grew (19% vs. 15%), while close to a fifth (16%) of respondents stated lower staffing levels, down from 23%.

"21% of firms reported lower workloads. 5 percentage points higher than the previous quarter"



Key indicators



Please note: Q1 2020 reflects respondents' expectations for workload and employment

Residential workloads

In the three months to December last year, the net balance for overall workloads was -2, down from +18 in the previous quarter. The proportion of members reporting rising workloads fell to 19% from 34%, while 60% of businesses stated no change to workloads, a rise of 10% compared to the previous quarter.

The net balance for the commercial sector rose by 15 points to +5. Around 20% of businesses stated higher workloads, up from 17%, while those suggesting lower levels fell somewhat (15% vs. 27%). Two-thirds of firms (66%) stated no change in workloads.

At -6, the industrial sector's net balance rose up slightly, again by 2 points. The public R&M sector saw an increase of 7 percentage points in its net balance to +5 with it coming out of negative territory. Fewer businesses reported lower workloads, with respectively 9%, down from 13% responding as such in Q3 2019. More respondents reported higher workloads at 14% against 11%.

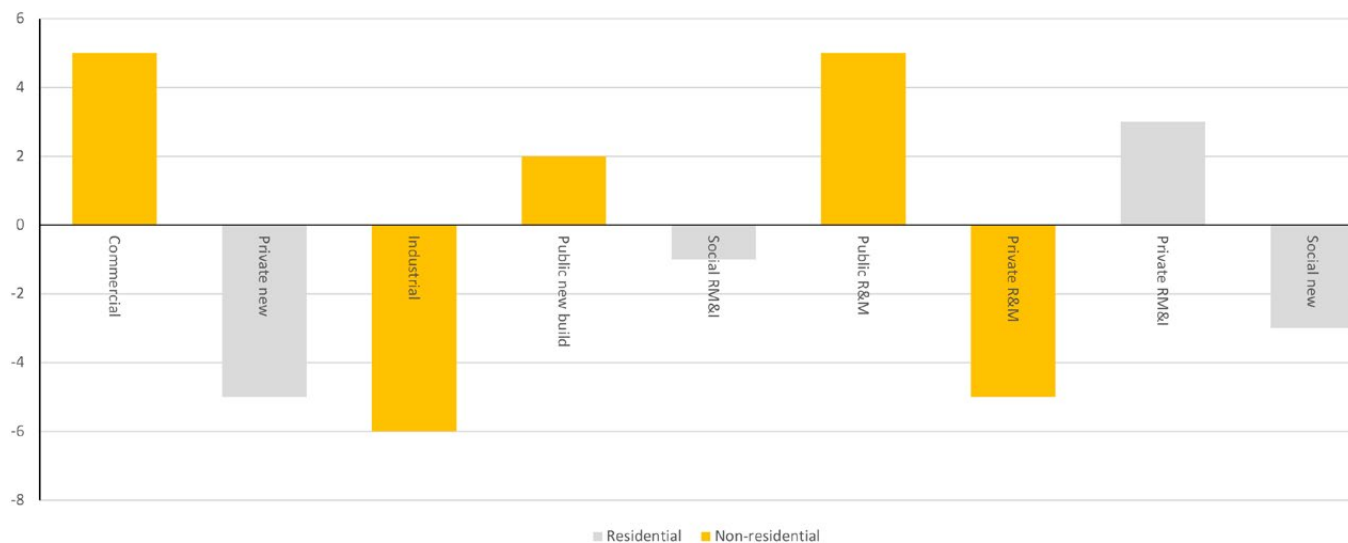
The overall housing sector's net balance entered positive territory rising by 2 points to +1. Around 16% of firms stated higher workloads, down from 17%, while most businesses (69%) registered no change to workloads.

A strong rise of 11 percentage points lifted the non-residential sector's net balance to +7. The share of firms reporting higher workloads rose by 1 point to 17%. However, those stating lower workloads fell to 10% from the 20% observed in Q3 2019.

"The net balance for the commercial sector rose by 15 points to +5"



Total workload by sector for Q4 2019



Weighted % balances

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

The net balance for the **private new** housing sector fell 6 percentage points to -5. Around 11% of firms reported higher workloads, down from 16%, whereas 16% of respondents stated lower workloads, up from 15%.

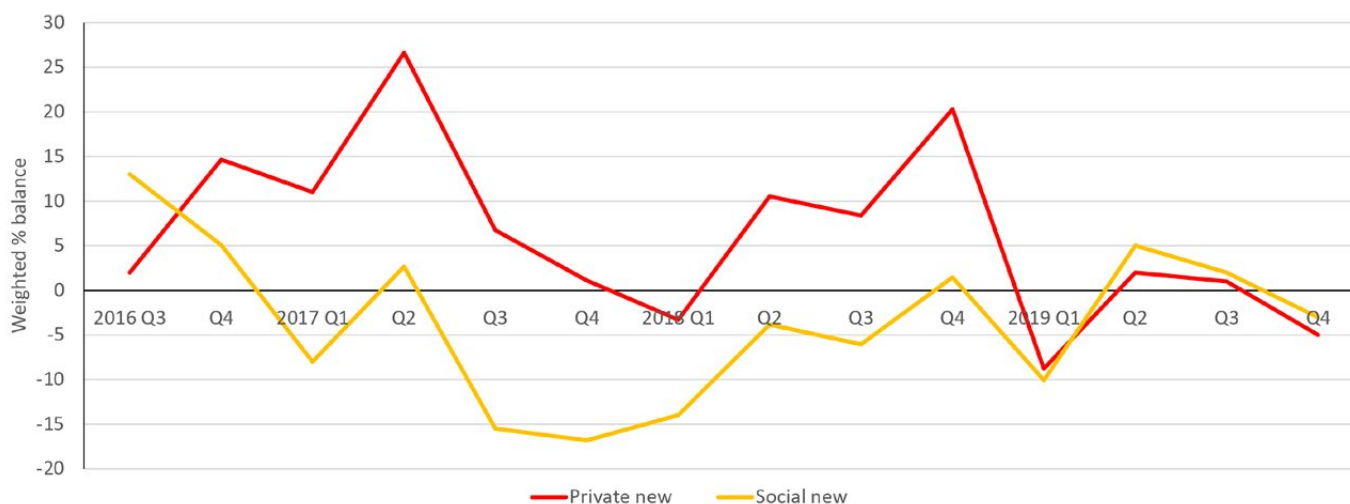
The net balance for the **social new** housing sector fell by 5 percentage points to -3. Fewer firms reported higher workloads (9% vs. 11%) whilst in contrast those indicating lower workloads rose (12% vs 9%).

The **social RM&I** sector fell back into negative territory, falling to -1 down from +7 in the previous quarter. Around 13% of firms recorded higher workloads, down from 18%, while 14% of members reported lower workloads, up from 11% in Q3 2019.

The net balance for **private RM&I** rose by 2 percentage points to +3, remaining in positive territory for the second successive quarter. The percentage of firms reporting higher workloads increased (25% vs. 21%), whereas those registering lower workloads also edged up to 22%, from 20%.

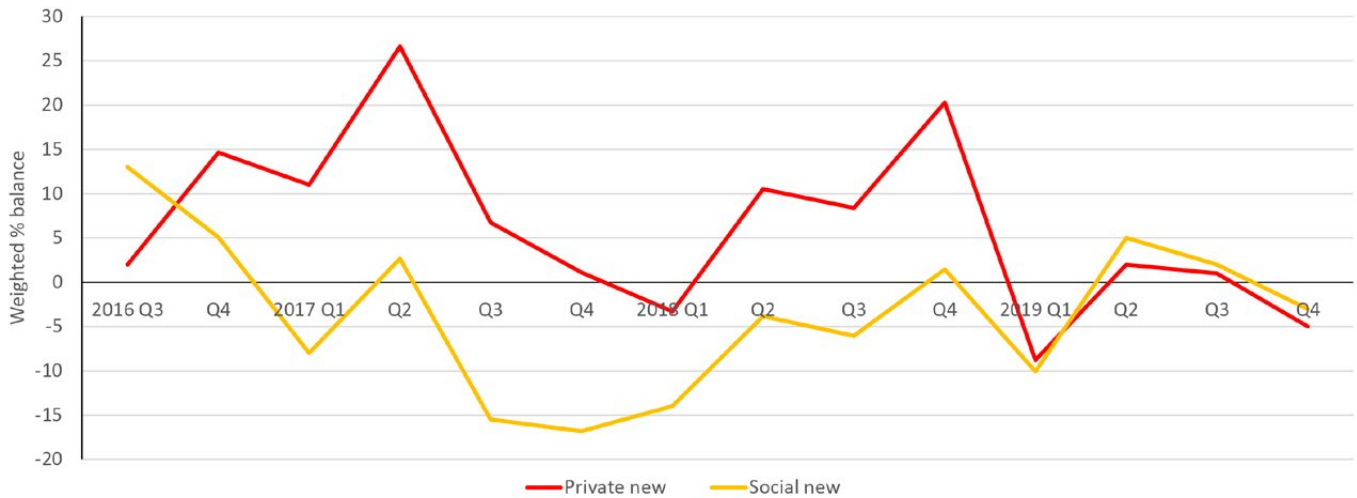
"The net balance for the private new housing sector fell 6 percentage points to -5"

Residential weighted % balance for new build



Residential workloads

Residential historical weighted % balance for RM&I



Non-residential workloads

Weighted % balances

Workload	2018 Q1	Q2	Q3	Q4	2019 Q1	Q2	Q3	Q4
Public new build	-5	+1	+8	+2	-23	-10	-8	+2
Public R&M	-3	-2	-7	-7	-27	-14	-2	+5
Industrial	0	+3	+11	0	-27	-10	-8	-6
Commercial	+6	+3	+15	+16	-27	-6	-10	+5
Private R&M	+2	+7	+5	+10	-8	-20	-8	-5
Total non-residential	-2	+9	+22	+10	-22	-3	-4	+7

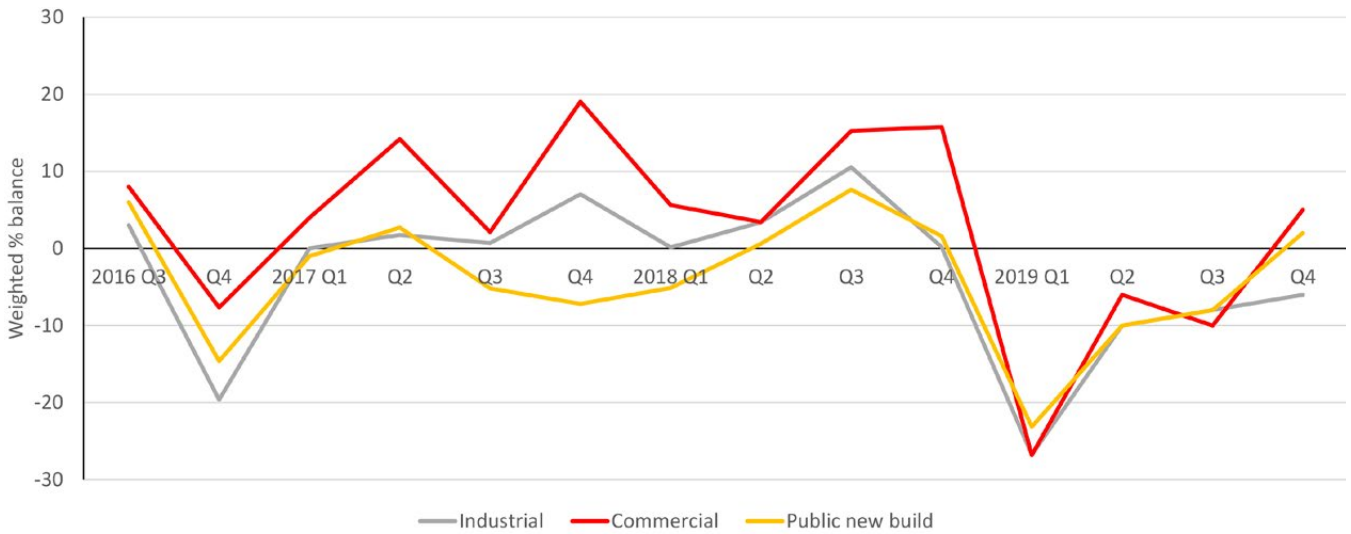
The **public new build** sector rose 10 percentage points to +2. Around 15% of members stated higher workloads, down from 17% and members indicating lower workloads fell from 25% to 13%.

The net balance for the **commercial** sector moved into positive territory, as it jumped to +5 from -10. More firms reported higher workloads (20% vs. 17%), whereas fewer firms stated lower workloads (15% vs. 27%).

The **industrial** sector's net balance rose slightly by 2 percentage points to -6. Those indicating higher workloads however fell, to 6%, from 12%. Similarly, the number of respondents stating lower workloads also fell, to 12% from 20%. Approximately 82% of businesses reported no change in workloads, up from 68%.

"The public new build sector rose 10 percentage points to +2"

Non-residential historical weighted % balance for new work

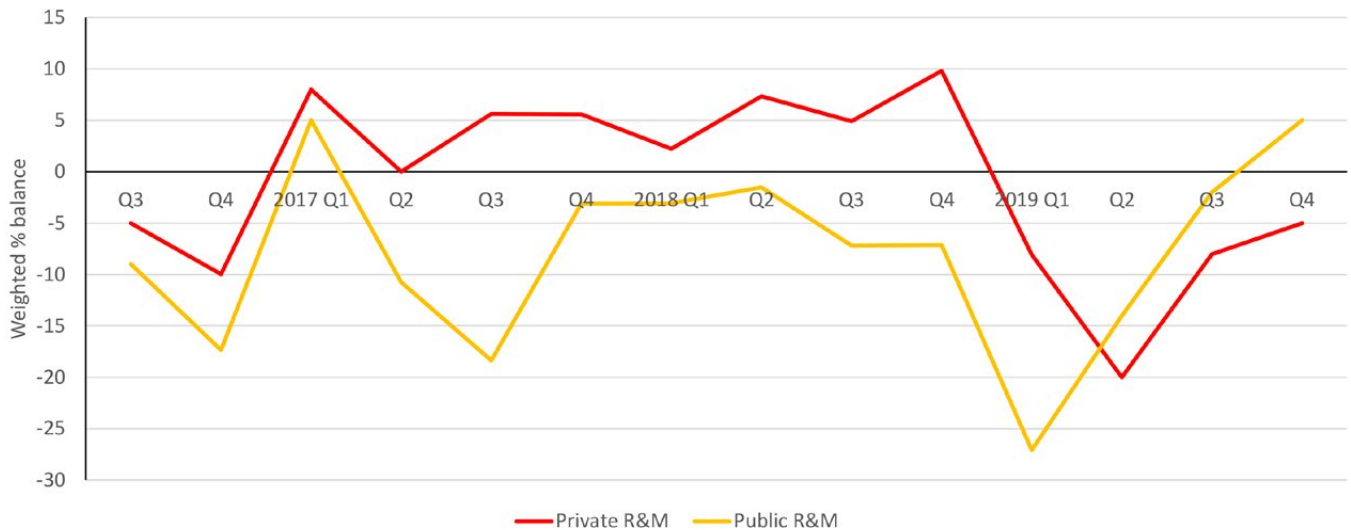


The **public R&M** sector's net balance (+5%) rose 7 percentage points and crept back into positive territory. More firms indicated higher workloads (14% vs. 11%). In contrast, 9% of businesses recorded lower workloads, down from the 13% registered in Q3 2019. At 77%, more firms stated no change in workloads, slightly up from 75%.

The **private R&M** sector's net balance remains in negative territory despite rising 3 points to -5. Approximately 13% of respondents stated higher workloads, unchanged from the previous three months, while 18% of firms indicated lower workloads, down from 21%. Most businesses (69%) registered no change to workloads.



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



Expected workloads over the next three months and enquiries

The net balance for total enquiries dropped by 6 percentage points to +4, remaining in positive territory for the 27th consecutive quarter. The proportions of businesses reporting higher levels of enquiries fell to 30% from 36%, while around 26% registered lower enquiries, unchanged from the previous quarter.

The total expected workloads' net balance rose marginally by 1 percentage point to +20. The share of respondents predicting higher workloads fell marginally to 37% from 38%, and the share of respondents forecasting lower workloads also decreased, from 19% to 17%.



Residential expected workloads

With a rise of 5 percentage points the net balance for the residential sector went up to +10 in Q4 2019. Around 27% businesses anticipate higher workloads over the following three months, unchanged from the previous quarter. However, those expecting lower workloads fell to 17% from 22%.

A fall of 10 percentage points took the **private new** housing market's net balance down to +7. Around 29% of members expect higher workloads, down from 34%, while those anticipating lower workloads increased to 22%, up from 17%. Approximately 49% of members foresee no change to workloads, marginally up from 48% in the previous quarter.

The net balance for the **social new** housing sector fell into negative territory, falling for the third consecutive quarter, with the balance now at -6. Fewer respondents predict higher

workloads (7% vs. 13%) over the next three months, with the proportion of businesses envisaging lower workloads increasing from 10% to 13%. In contrast, those anticipating no change in workloads was at 80%.

The net balance for the **social RM&I** sector fell slightly to +7. The number of respondents expecting higher workloads over the next three months remained unchanged at 20%, while 67% of businesses anticipate no change in workloads, also unchanged.

The **private RM&I** sector's net balance deteriorated by 1 percentage point to +13. Firms expecting lower workloads went down to 16% from 19%, while the share of respondents forecasting higher workloads also fell (29% vs. 33%). However, around 55% of members envisage no change to workloads, up from 48% in the previous quarter.

"The net balance for total enquiries dropped by 6 percentage points to +4 remaining in positive territory for the twenty seventh consecutive quarter"

Weighted % balances

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

Non-residential expected workloads

The net balance for non-residential expected workloads moved into positive territory as it rose by 11 percentage points to +7. Around 19% of respondents expect higher workloads, up from 17%, while a smaller share of respondents foresee lower workloads (12% vs. 21%). Approximately 69% expect no change to workloads, up from 63%.

A significant boost of 15 percentage points took the **Public R&M** sector's net balance to +10. Fewer firms anticipate lower workloads (10% vs. 15%) though the majority of firms (70%) envisage no change to workloads. The number of respondents predicting higher workloads doubled to 22%.

The **private R&M** sector's net balance increased by 19 percentage points to +17. The proportion of firms expecting higher workloads rose significantly to 27%, from 14%, while 63% of respondents expect no change to workloads.

The **industrial** sector's net balance rose by 17 percentage points to +7. The proportion of businesses expecting lower workloads fell to 10% from 21%, whereas those foreseeing higher workloads went up to 17%, from 11%. Around 73% of members anticipate no change to workloads, up from 68%.



The net balance for the **public new build** sector jumped by 31 percentage points to +12. Just over a fifth of firms (22%) forecast higher workloads, up from 11% in the previous quarter. Those expecting lower workloads fell to 10%, down from 30%. At 69%, the majority of firms predict no change to workloads, up from 59% in Q3 2019.

A gain of 20 percentage points took the commercial sector's net balance to +20. The percentage of respondents anticipating higher workloads grew to 29% from 21%, while 9% of businesses anticipate lower workloads, down from 21%. Most members (61%) expect no change to their workloads, up from the 58% registered three months earlier.

"A significant boost of 15 percentage points took the Public R & M sector's net balance to +10"

Weighted % balances

Expected Workload	2018 Q1	Q2	Q3	Q4	2019 Q1	Q2	Q3	Q4
Public new build	+9	+8	-10	-13	+3	+2	-19	+12
Public R&M	+5	+8	-9	-6	-3	-2	-5	+10
Industrial	+15	-3	+5	+11	-13	0	-10	+7
Commercial	+32	+11	+2	+10	+4	+9	0	+20
Private R&M	+16	+15	+6	+2	+11	+3	-2	+17
Total non-residential	+19	+12	0	+12	-7	+6	-4	+7
Enquiries								
Public new build	+7	+2	+3	-9	-18	-1	0	-5
Public R&M	+6	+1	+4	0	-8	-11	-2	+4
Industrial	+6	0	+7	-1	-13	-12	-8	+2
Commercial	+12	+15	+6	+9	-7	-3	+3	+3
Private R&M	+10	+9	+1	+7	+9	-5	+2	+6
Total non-residential	+3	0	+13	+5	-5	-5	-1	-1

Prices and costs

Weighted % balances

Actual	2018 Q1	Q2	Q3	Q4	2019 Q1	Q2	Q3	Q4
Output prices	+40	+45	+43	+48	+45	+35	+43	+36
Wages & salaries	+52	+62	+62	+59	+58	+51	+58	+45
Materials costs	+90	+89	+85	+85	+91	+81	+78	+75

Weighted % balances

Expected	2018 Q1	Q2	Q3	Q4	2019 Q1	Q2	Q3	Q4
Output prices	+60	+54	+62	+67	+55	+48	+52	+60
Wages & salaries	+66	+53	+56	+66	+71	+50	+55	+56
Materials costs	+83	+76	+86	+87	+88	+77	+86	+84

The net balance for expected output prices went up by 8 percentage points to +60. Almost two-thirds of firms (63%) expect higher output prices over the next six months, up from 56%. However, 34% of firms foresee no change to output prices, down from 40%.

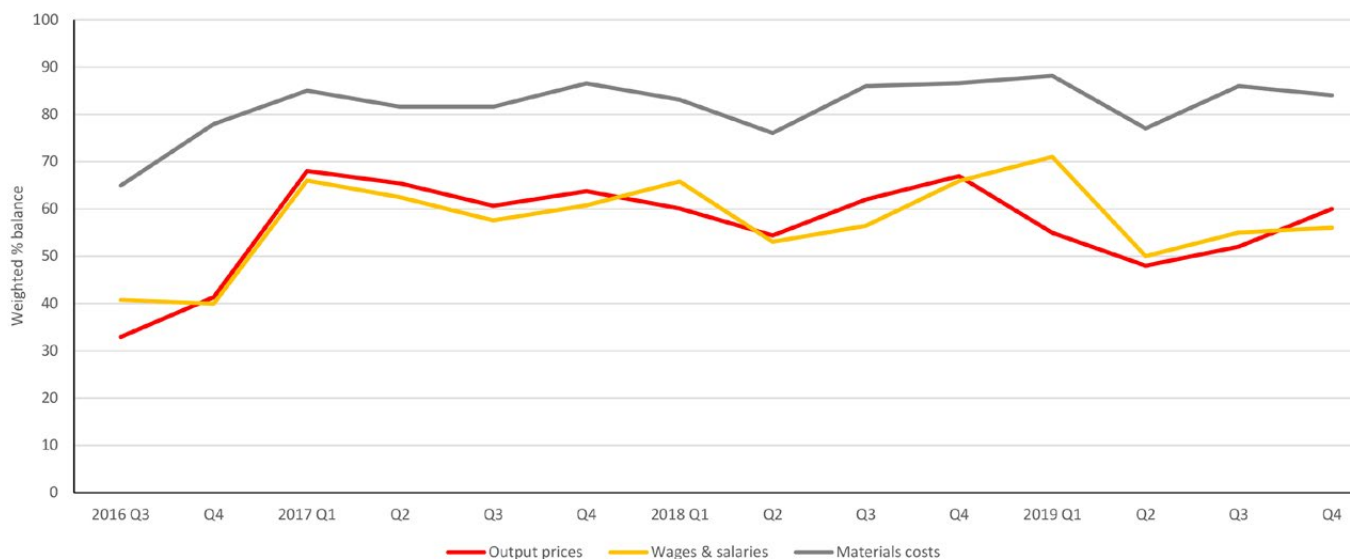
A rise of 1 percentage point took the net balance for expected wages and salaries to +56. Around 57% of firms envisage wage increases, marginally up from 56% in the previous quarter, while

approximately 42% of members predict no change in wages and salaries, down from 43%.

The net balance for expected material costs decreased by 2 percentage points to +84. Around 84% of respondents foresee higher material costs over the next six months, down from 86%. In contrast, those forecasting no change to material costs, increased to 16% from 14%.

"Almost two-thirds of firms (63%) expect higher output prices over the next six months, up from 56%"

Prices and costs weighted % balance



Employment and labour

Weighted % balances

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

Weighted % balances

Expected employment	2018 Q1	Q2	Q3	Q4	2019 Q1	Q2	Q3	Q4
All builders	+32	+23	+19	+18	+20	+16	+14	+21
All specialists	+19	+15	+18	+13	+18	+19	+11	+13
Total employment	+26	+19	+19	+16	+19	+18	+12	+16

An increase of 11 percentage points took the net balance for total employment to +3. Approximately 19% of businesses recorded an increase in staffing levels, up from 15%, while those stating falls in employment declined to 16% from 23%. At 65%, close to two-thirds of firms indicated no change to the workforce.

With a rise of 11 percentage points the net balance for all builders' employment rose to -1. Approximately 18% of firms indicated higher staffing levels, up from 13%, whilst those reporting a fall in their workforce decreased to 19% from 25%. Most businesses (63%) registered no change to employment levels, up from 61%.

"Around 30% of firms foresee an increase in staffing levels, up from 25%"

The net balance for all specialists returned to positive territory as it rose by 8 percentage points to +6. Those reporting higher staffing levels rose (20% vs. 17%), while firms indicating a decline in their workforce fell to 14% from 19%.

An increase of 4 percentage points took the net balance for expected total employment to +16. Around 30% of firms foresee an increase in staffing levels, up from 25% whereas 56% of businesses expect no change to employment levels.

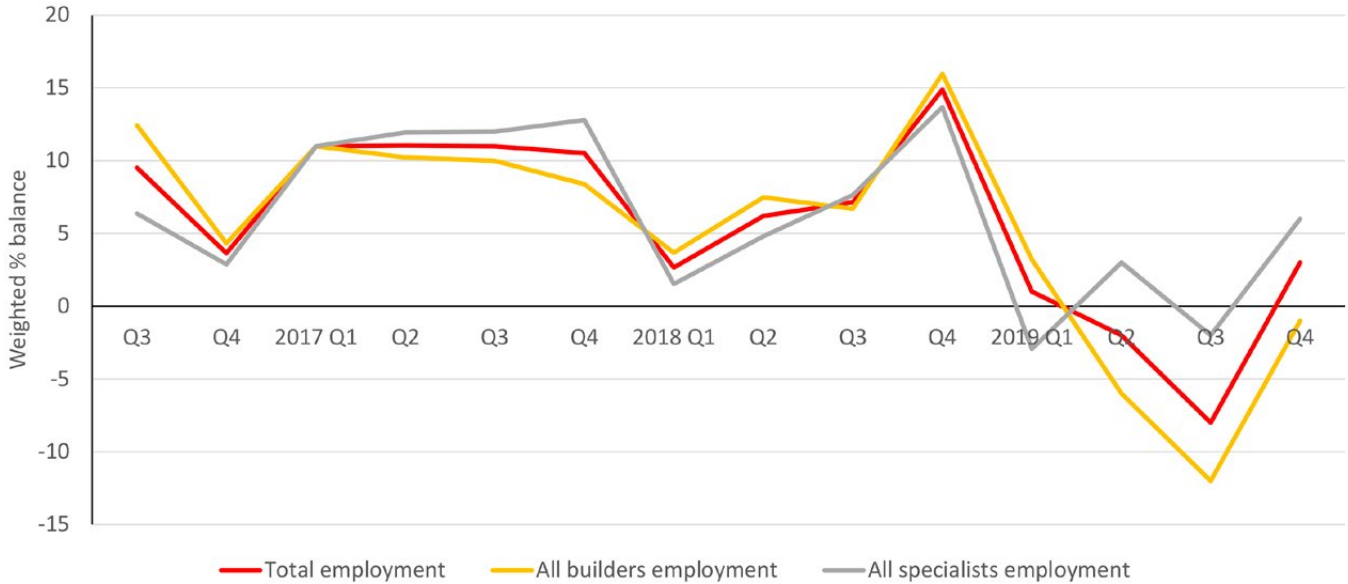
The builders' expected employment net balance rose by 7 percentage points to +21. The percentage of respondents wanting to increase staff went up to 34% from 26%, whereas 53% of businesses forecast no change to their workforce, down from the 62% reported in the previous quarter.

The expected employment for all specialists rose by 2 percentage points to +13. Approximately 59% of respondents predict no change to their workforce over the coming six months, down from 63%. In contrast, more firms envisage a rise in workforce (27% vs. 24%).



Employment and labour

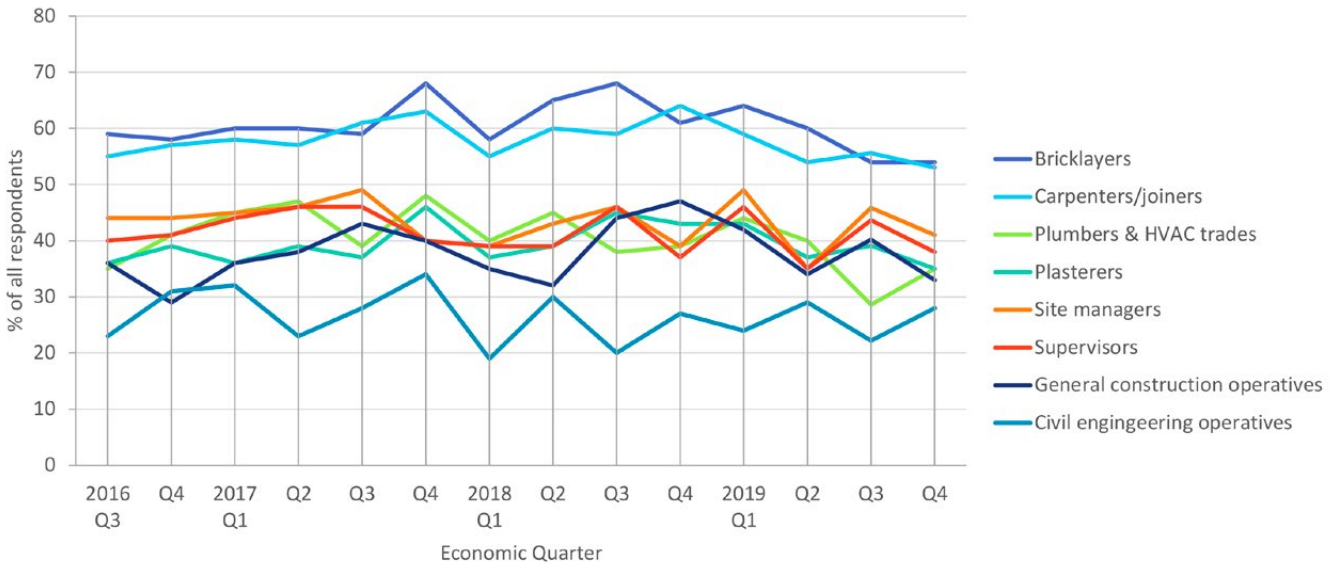
Employment weighted % balance



Bricklayers were reported as being the most difficult to recruit in the fourth quarter of 2019 with carpenters/joiners reportedly being the second most difficult trade to recruit for. In contrast, scaffolders and floorers were the easiest to recruit.

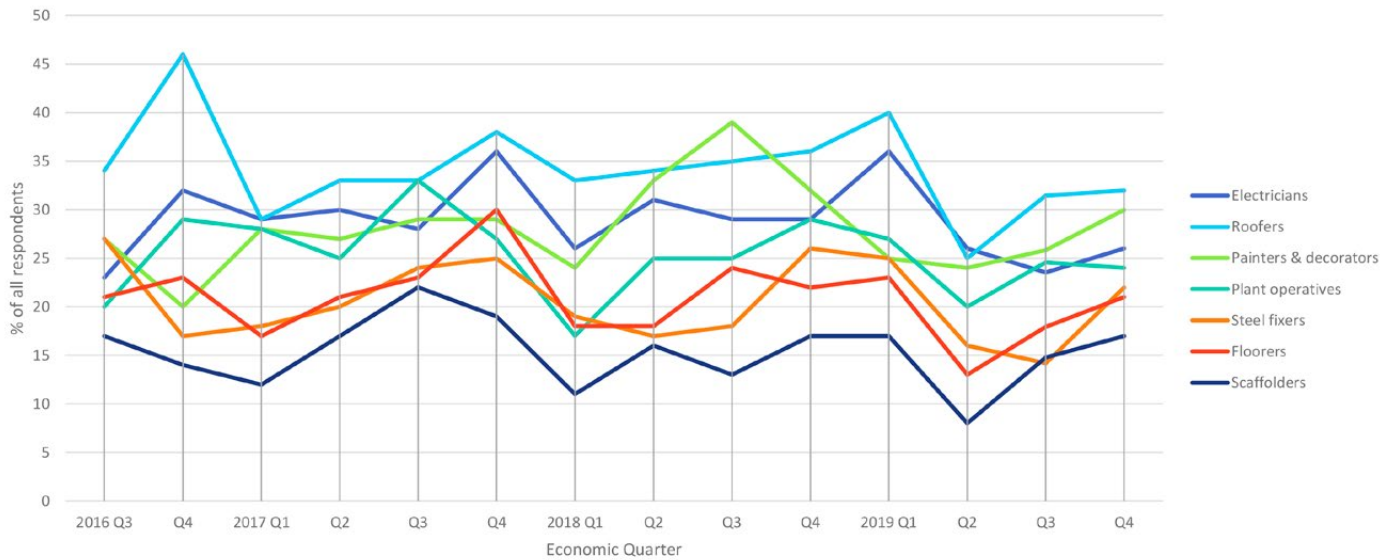
“Bricklayers were reported as being the most difficult to recruit in the fourth quarter of 2019”

% 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	2018 Q1	Q2	Q3	Q4	2019 Q1	Q2	Q3	Q4
Bricklayer	58%	65%	68%	61%	64%	60%	54%	54%
Carpenters/joiners	55%	60%	59%	64%	59%	54%	56%	53%
Site managers	39%	43%	46%	39%	49%	35%	46%	41%
Supervisors	39%	39%	46%	37%	46%	35%	44%	38%
Plasterers	37%	39%	45%	43%	43%	37%	39%	35%
Plumbers and HVAC trades	40%	45%	38%	39%	44%	40%	29%	35%
General construction operatives	35%	32%	44%	47%	42%	34%	40%	33%
Roofers	33%	34%	35%	36%	40%	25%	31%	32%
Painters and decorators	24%	33%	39%	32%	25%	24%	26%	30%
Civil engineering operatives	19%	30%	20%	27%	24%	29%	22%	28%
Electricians	26%	31%	29%	29%	36%	26%	24%	26%
Plant operatives	17%	25%	25%	29%	27%	20%	25%	24%
Steel fixers	19%	17%	18%	26%	25%	16%	14%	22%
Floorers	18%	18%	24%	22%	23%	13%	18%	21%
Scaffolders	11%	16%	13%	17%	17%	8%	15%	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 fell by 6 percentage point to +4. Approximately 26% of weighted responses were positive, up from 31%, while the share of negative weighted responses grew slightly by 1 percentage point to 22%. The percentage of neutral weighted responses rose to 52% from 48%.

Scotland's net balance reduced considerably to +13 from +32 in the previous quarter. Around 28% of weighted responses were positive, up from 41%, whereas 15% of the weighted responses were negative, increasing from 9%. Around 57% of the weighted responses were neutral, up from 50%.

At +1, the net balance for **England** fell for the second consecutive quarter. The share of positive weighted responses fell to 25% from 29%, with the share of negative weighted responses up (24% vs. 22%). Around 51% of the weighted responses were neutral, higher than the 49% in the previous quarter.

Northern Ireland's net balance rose by 10 percentage points to 9%, emerging out of negative territory. The proportion of positive weighted responses dropped to 24% from 28%, while approximately 61% of weighted responses were neutral, up from 43%. At 15% the share of negative weighted responses fell from 29%.

Wales saw a big drop in its net balance, as it dropped by 32 percentage points to +23, continuing the volatile trend seen throughout this year. The share of positive weighted responses fell to 38%, from 59%, while the share of negative weighted responses rose by 11 percentage points to 15%, bringing it in line with Northern Ireland and Scotland net balances. Approximately 47% of Welsh weighted responses were neutral, up from 37%.

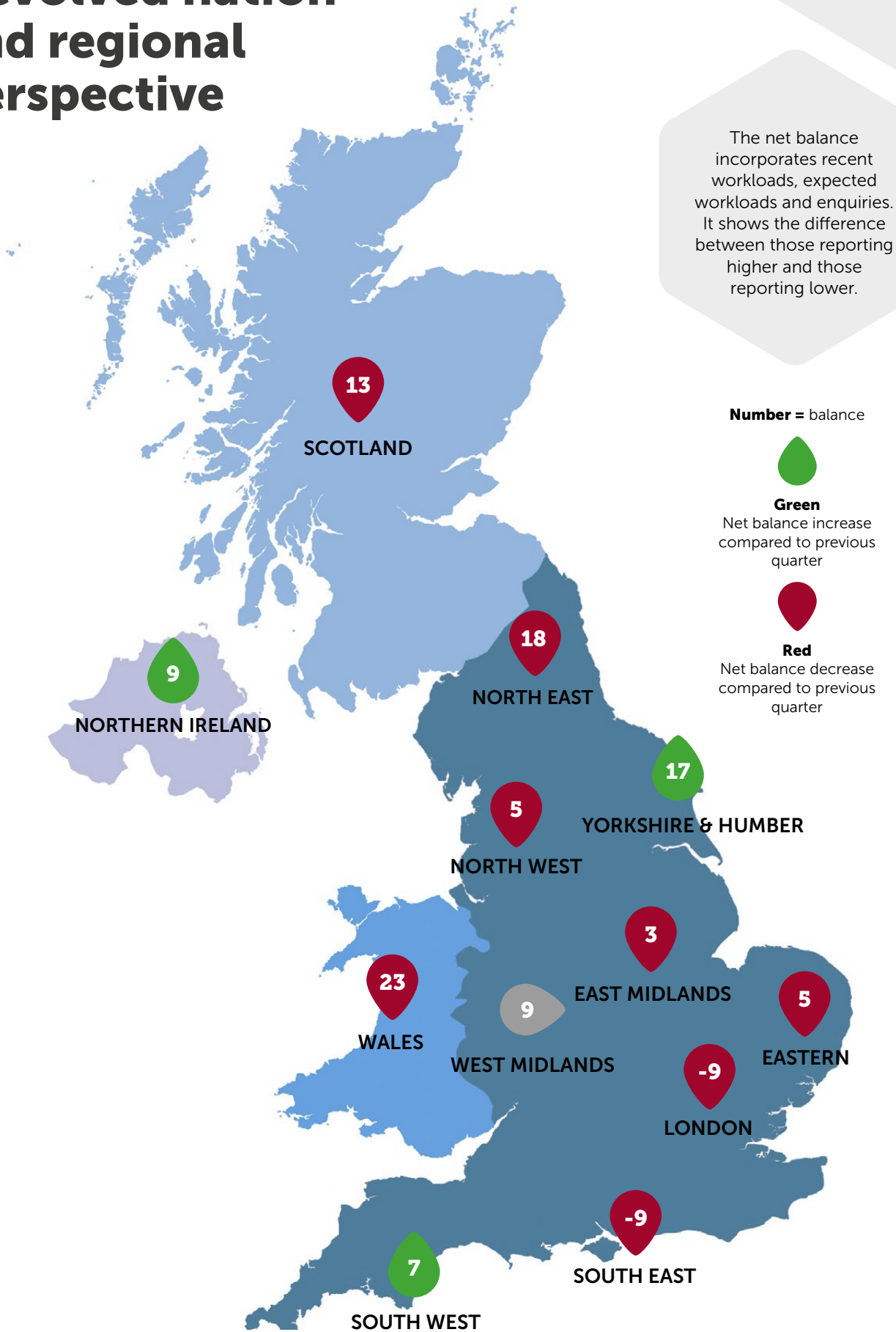
"Northern Ireland's net balance rose by 10 percentage points to +9%, emerging out of negative territory"

Weighted % balances

English region	2018 Q1	Q2	Q3	Q4	2019 Q1	Q2	Q3	Q4
East Midlands	+26	+15	+8	+2	+15	+28	+39	+3
Eastern	+7	+33	+26	+10	+31	+4	+9	+5
London	+10	+12	+12	+3	-15	+8	+5	-9
North East	+12	+28	+32	+19	+34	+7	+26	+18
North West	+20	+28	+22	-8	+30	0	+9	+5
South East	+17	+25	+20	+14	-12	+3	+3	-9
South West	+20	+17	+18	+21	+17	+9	+3	+7
West Midlands	+31	+25	-7	+19	+16	+25	+9	+9
Yorks & Humber	+19	+20	+16	-3	+25	+31	-6	+17

Nation	2018 Q1	Q2	Q3	Q4	2019 Q1	Q2	Q3	Q4
England	+17	+21	+17	+10	+10	+10	+7	+1
Northern Ireland	+26	+47	+22	+32	+41	-3	-1	+9
Scotland	+7	+24	+19	0	+10	+33	+32	+13
Wales	+39	+14	+28	+11	+36	+12	+55	+23
UK	+18	+22	+17	+11	+13	+11	+10	+4

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 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.

For more information about the FMB State of Trade Survey please contact Philip Campbell at the Federation of Master Builders via **020 7025 2902** or PhilipCampbell@fmb.org.uk.