

Q4
2020

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FEDERATION OF
**MASTER
BUILDERS**

fmb.org.uk

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 **November and December 2020**.
It casts ahead to **January to March 2021**.





BRIAN BERRY, Chief Executive,
Federation of Master Builders

View from the Chief Executive

Winter blues for Britain's builders

The outlook for members of the Federation of Master Builders (FMB) was not encouraging going into the winter months. This survey's latest findings point to a reversal in the slight recovery that builders experienced in the summer and autumn of 2020. While some seasonal variation is expected in construction, due to the difficulties of working outside in wintry conditions, drops across workload, enquiries and employment are concerning.

In the run up to Christmas, with the Brexit negotiations continuing until the eleventh hour, and global supply chain difficulties caused by COVID, access to materials remained a key problem for my members, with 82% reporting price increases in the period November to December. With further price hikes expected in the first quarter of 2021, builders' overheads are growing while their output prices are dropping.

We need a Budget for builders

The UK Government is looking to construction to support economic recovery and protect jobs, having sent a strong message to industry that sites should stay open in England. However, the results of this survey show that the Government needs to ramp up its support for small to medium-sized (SME) construction firms, if they are to be in a position to help us build back better and greener going 2021. Builders are at the heart of the Government's plans to stimulate the house building market, and successfully deliver the Green Homes Grant scheme, but they cannot do so without more help for their business.

The UK Government should use the March Budget to cut VAT on the repair, maintenance and improvement (RMI) sector to 5% for a temporary five-year period so that more homeowners can afford to upgrade their homes. The Government should also extend the Stamp Duty holiday by three months to breathe another lease of life into the housing market. These two policies would help boost the RMI and housing sectors, both of which experienced drops in activity and enquiries in the period November to December 2020 according to our survey.

Builders in Scotland who are unable to work in people's properties need urgent access to the Scottish Government's Strategic Framework Business Fund.

"The results of this survey show that the Government needs to ramp up its support for small to medium-sized (SME) construction firms"



BRIAN BERRY, Chief Executive,
Federation of Master Builders

View from the Chief Executive

Celebrating 80 years of quality in construction

This is an important year for the FMB, as we are turning 80 years old. Founded by a consortia of London builders looking to re-build after the Blitz, Master Builders are no strangers to adapting and supporting our communities in times of crisis. While we support members to navigate the ongoing lockdown restrictions, I know that the future challenge for all of us will be responding to climate change and taking urgent steps to reduce carbon emissions.

Builders stand ready to decarbonise our built environment, and I hope that the Government will bring forward a comprehensive plan and give its backing to a National Retrofit Strategy ahead of the United Nations Climate Change Conference in November to achieve this. In protecting the planet, we can also create long-term resilient jobs, upskill across the sector, support the construction industry's smallest firms, and deliver on the levelling-up agenda.



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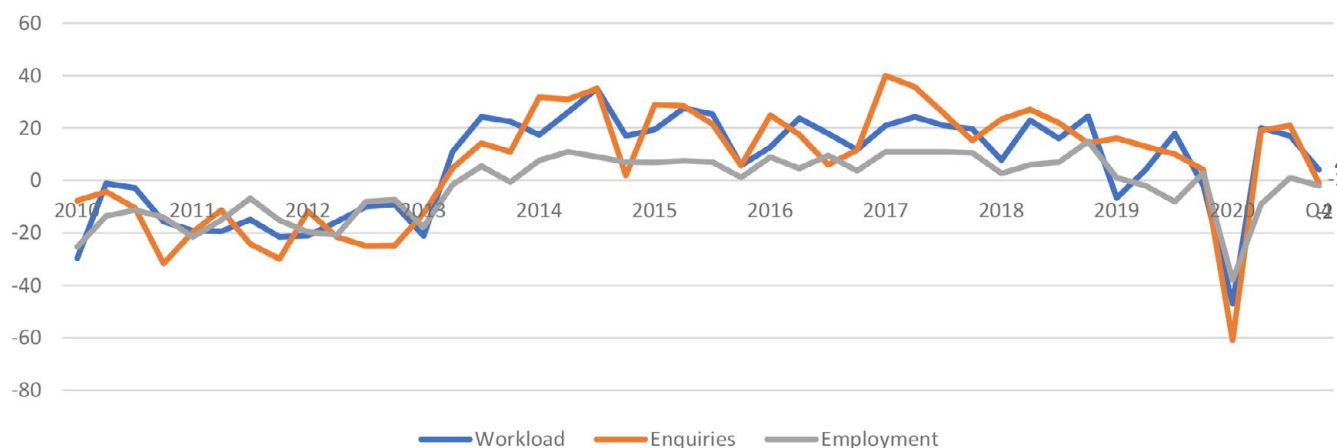


Key indicators

Workloads slowed in the final quarter of 2020, and enquiries and employment dropped back into negative territory following a short-lived recovery.

A quarter of FMB members (27%) reported lower total workloads in November to December 2020 while 31% reported higher workloads. This slowdown was largely driven by a drop in the industrial or commercial sector where two in five (40%) builders reported lower total workloads. Respondents said that activity was slowing across the board, with one builder from London reporting that 'work is being put on hold due to the economic climate'.

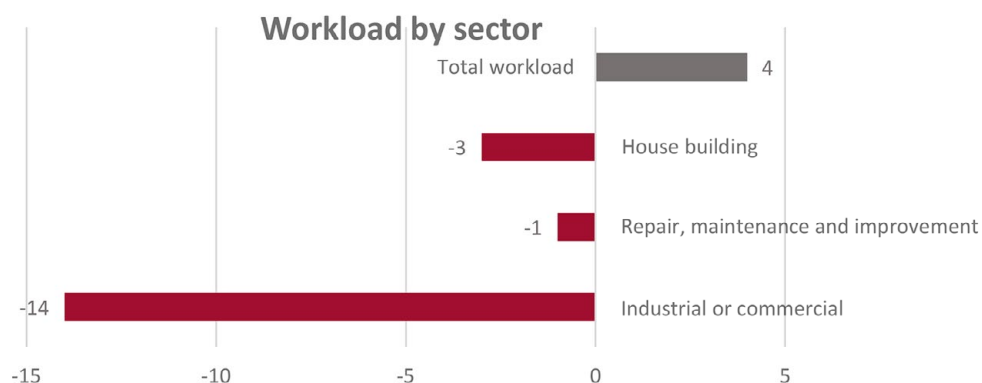
Key indicators



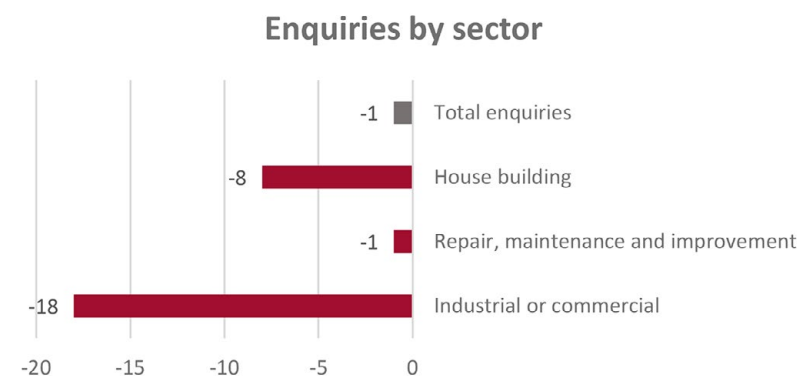
Graph 1 - Q3. Looking back, how does your company's workload in the period November - December 2020 compare to that in September - October 2020? Base: Total excl N/A 2020 Q4 (n=115) Q6. Looking back, how has the level of enquiries regarding future work changed in the period November - December 2020 compared to September - October 2020? Base: Total excl N/A 2020 Q4 (n=112) Q8. How has the number of employees within your company's workforce changed during November - December 2020, when compared with September - October 2020? Base: Total 2020 Q4 (n=111)

Workload and enquiries by sector

All sectors experienced a marked decline, with the majority of respondents citing material shortages as hampering output. Others said that the coronavirus continues to put work on hold, whether due to self-isolation in the supply chain, or due to nervousness among homeowners around having tradespeople in the house.



Graph 2 - Q3. Looking back, how does your company's workload in the period November - December 2020 compare to that in September - October 2020? Base: Total workload (n=115); House building (n=60); Repair, maintenance and improvement (n=107); Industrial or commercial (n=50). Excluding N/As

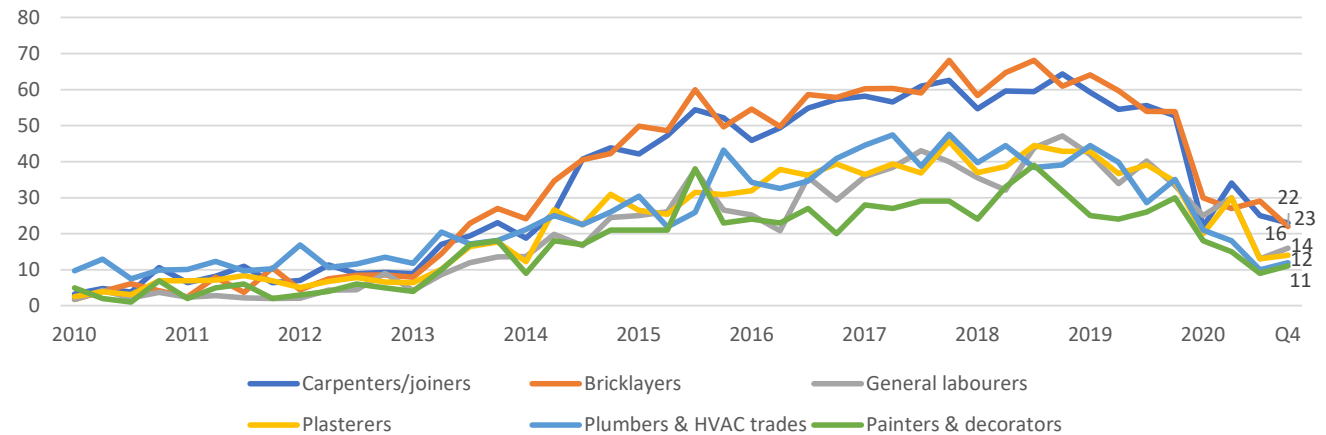


Graph 3 - Q6. Looking back, how has the level of enquiries regarding future work changed in the period November - December 2020 compared to September - October 2020? Base: Total workload (n=112); House building (n=61); Repair, maintenance and improvement (n=105); Industrial or commercial (n=50). Excluding N/As

Employment and skills shortages

Carpenters/Joiners and bricklayers remain the most difficult occupations for firms to recruit, with 23% and 22% respectively reporting recruitment difficulties. In both cases the proportion reporting difficulty has decreased since 2020 Q3. The relative easing in skills shortages is not likely to be a structural improvement, but rather a reflection of slowing workloads. With the new immigration system now in place, a reduction in the availability of EU labour over the coming months will likely provide more uncertainty ahead.

Difficulty in recruiting for each of the following occupations



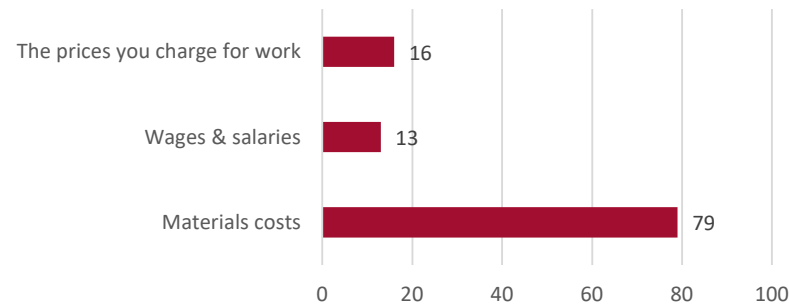
“European workers very nervous and constantly talking about leaving the country”
- FMB member, January 2021

Graph 4 - Q10. For which of the following trades has your company found it difficult to recruit skilled staff over the period of November - December 2020. Base: Total (n=111)

Prices and costs

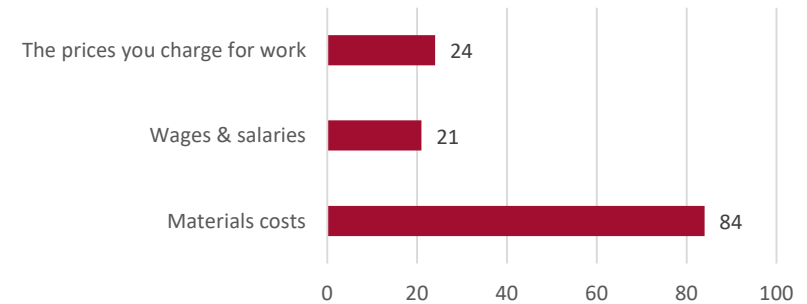
The proportion of builders reporting output price increases over the period November to December dropped from 37% to 29%. Four in five FMB members (82%) reported that material prices increased in the weeks leading up to the EU Trade Agreement, leaving builders in the difficult position of absorbing higher costs. Members in Northern Ireland reported particular difficulties in managing the rising price of materials. Timber and roof tiles were singled out as being in short supply.

Past quarter prices and costs



Graph 5 - Q11. How have both the prices that you charge for work, and your outgoing costs changed over the period of November - December 2020? Base: The prices you charge for work (n=107); Wages & salaries (n=108); Materials costs (n=107) Excl 'Don't know'

Expected prices and costs

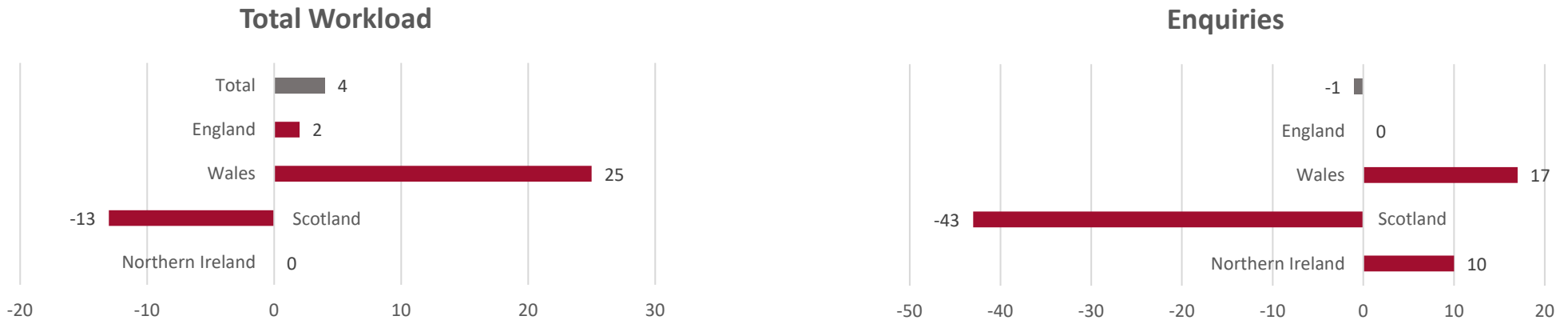


Graph 6 - Q12. And how do you expect both the prices that you charge for work, and your outgoing costs to change over the period of January - March 2021? Base: The prices you charge for work (n=106); Wages & salaries (n=108); Materials costs (n=108) Excl 'Don't know'

“The altered opening hours [of suppliers] and pick up appointment times for companies have resulted in an increase in non-productive working, a charge that we are unable to pass to customers”
- FMB member, January 2021

Key indicators in the devolved nations

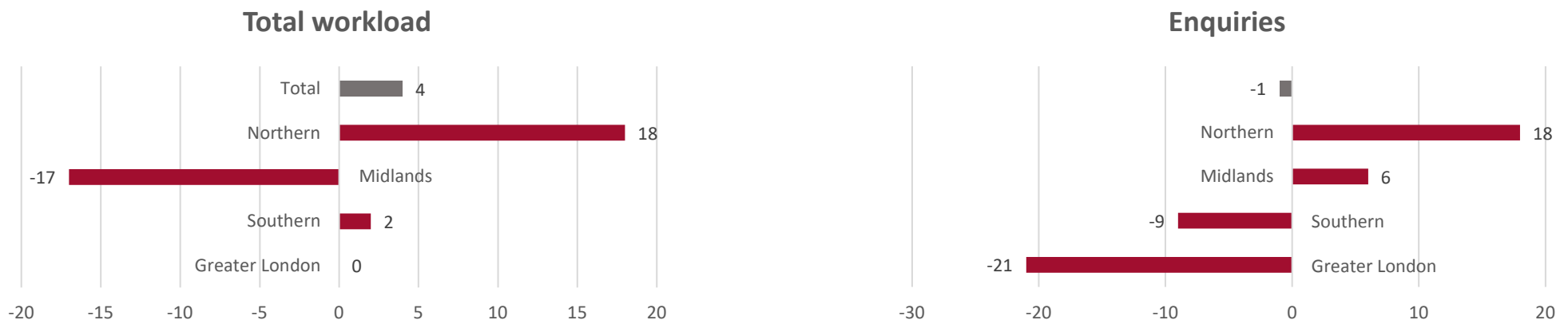
While activity remained in positive territory for builders in England, Wales and Northern Ireland, respondents in Scotland reported a significant drop in workload and enquiries. This is due in part to the lockdown restrictions in Scotland mandating only essential works to be carried out inside people's homes. The challenging weather conditions in the winter months also hampered output for those in the house building or industrial or commercial sectors.



Graph 7 and 8. Base: England (n = 94); Wales* (n = 8); Scotland* (n = 8); Northern Ireland* (n = 5) *Caution: Low base size

Key Indicators in the English regions

Activity in Northern England was the strongest Q4 2020, while output dipped particularly in the Midlands. Looking ahead, enquiries for firms in London dropped significantly into negative territory, while respondents in the Midlands signalled a stronger recovery. One respondent in London said that 'the state of the market is very uncertain at the moment because of COVID problems'.



Graphs 9 and 10. Base: Northern* (n = 22); Midlands* (n = 18); Southern* (n = 54); Greater London* (n = 14) *Caution: Low base size

For more information

This quarter, the survey was issued between 11 January and 1 February 2021 and received 123 completes. It was published in February 2021.

For more information about the FMB please visit **www.fmb.org.uk**.

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