

Q1  
2022

Savanta:  
ComRes



FEDERATION OF  
**MASTER  
BUILDERS**

[fmb.org.uk](http://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 **January to March 2022**. It casts ahead to **April to June 2022**.





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

## View from the Chief Executive

Prices are soaring, caused by inflation, energy costs and the war in Ukraine. This quarter's survey shows that members are being impacted by this perfect storm. The vast majority of members (98%) have seen material costs increase which will inevitably impact on customers. 83% of members have put their prices up. This puts small, local builders in an uncomfortable position, as they are having to pass on price increases to customers at a time when they are facing escalating costs of living.

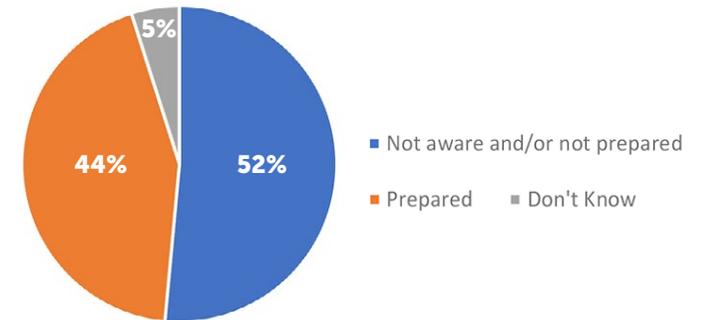
This year we've introduced a new question on material and skills shortages in response to the problems the industry faced last year. While the high figures of Q3 2021 have not returned, we're still seeing an unhealthy number of jobs delayed or cancelled by a lack of materials or access to skilled labour. These delays exacerbate an already turbulent market, hit hard by rampant cost increases.

### More guidance needed ahead of changes to the Building Regulations

In June there will be significant changes coming to Building Regulations in England to improve the energy efficiency of buildings. However, 52% of small, local builders are not yet prepared or are not aware about the changes. This puts builders at real risk of delivering new homes or projects that fall short of the new regulations. These are complex changes for, small, time poor, builders to take on, especially without good communication from the UK Government.

The FMB is urging the Government to provide clear guidance to help make sure small builders are informed of the changes. This is especially important as many in the RMI sector will be hit on the first day of changes, June 15, while those in the housing sector have a bit more time to adjust, with a year-long transition period.

Overall, which of the following statements best describes your business' current preparations for changes to Building Regulations in June 2022?



Graph 1. Question asked: Building Regulations in England are being updated in June 2022. Overall, which of the following statements best describes your business' current preparations for these changes? Base: All respondents excl those who do not work in England (n=264)

**"Government need to understand that new building regulations and planning policy affect the SME builder more than the plc"**

– FMB member



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

## View from the Chief Executive

### 0% VAT for green improvements

As of the 1 April, builders and consumers have been able to install certain energy efficiency products in homes at a 0% VAT rate, thanks to an announcement made by the UK Government in the Spring Statement. We know that VAT costs put off roughly four million households a year from improving their homes. Installing energy efficiency measures isn't cheap, but with 0% VAT, customers will be able to make substantial savings. Scheme details can be read [here](#).

The Federation of Master Builders, (FMB) has [campaigned extensively](#) to lower the rate of VAT to boost builders' workloads as part of wider plans to improve the energy efficiency of homes, through a National Retrofit Strategy. The 0% VAT is a boost for the industry and should act as a nudge for those homeowners in the "able to pay" market.

While the measure is a welcome step forward, more needs to be done to properly instigate a retrofit revolution. This will be vital for the country to hit net zero targets and help reduce energy bills. The FMB will continue to push the need for a National Retrofit Strategy as well as a reduced rate of VAT on all RMI work.

### UK Government's Energy Security Strategy misses the mark

While the VAT cut is a move in the right direction there is a need for the UK Government to commit to more extensive plans. The Energy Security Strategy was a missed opportunity as it contained nothing new to support retrofit.

This followed on from the Heat and Buildings Strategy published last October which sets out a wide-ranging series of recommendations but offers little for owner occupiers or wider support for a 'fabric first' retrofit approach. This new Strategy was an opportunity for the Government to implement a National Retrofit Strategy, focussing on improving the energy efficiency of the UK's draughty and leaky homes. A broader, insulation led, retrofit strategy would have been an immediate solution to reduce energy consumption, boost the economy and importantly, and help save homeowners money on their bills during a cost-of-living crisis.

**"I think it would help construction businesses at the moment with a VAT reduction offer for the industry. This would help building companies to win better work and stop a lot of the cowboys"**

– FMB member

## Key indicators

In the first quarter of 2022, workload, enquiries, and employment levels are broadly in line with the fourth quarter of 2021, showing that the market is stabilising, after the relative high levels of 2021, as lockdown rules eased, and pent-up money was spent.

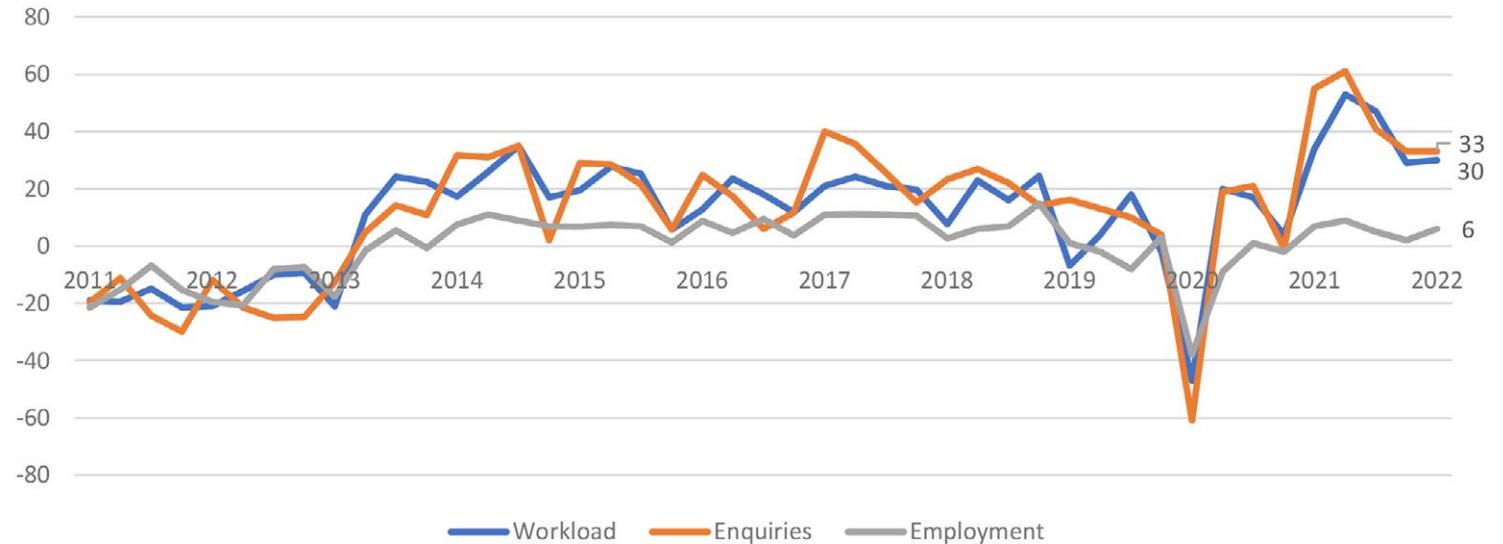
30% of FMB members report a higher workload in Q1 2022 than in Q4 2021, while 15% say their workload has fallen. 33% of FMB members report a higher level of enquiries in Q1 compared to the last quarter, which remains in line with Q4 2021, which also reported 33%, while 18% report this to be lower. Workload and enquiries remain in line with what was reported in the last quarter of 2021, showing a stable market, that is reporting above immediate pre-pandemic levels.

20% report their workforce grew in Q1 while 14% report a reduction in staff numbers. The net increase in employment was 6%, which is the highest reported figure since Q2 2021 (9%).

**“Still very busy, but overall costs for materials, labour and resources are increasing”**

– FMB member

## Key indicators



Graph 2 - Q3. Looking back, how does your company's workload in the period January - March 2022, compare to that in October - December 2021? Base: Total excl N/A (n=304) Q6. Looking back, how has the level of enquiries regarding future work changed in the period January - March 2022 compared to October - December 2021? Base: Total excl N/A (n= 304) Q8. How has the number of employees within your company's workforce changed during January - March 2022 compared to October - December 2021? Base: Total excl N/A (n= 304) Net balance of change



## Workload and enquiries by sector

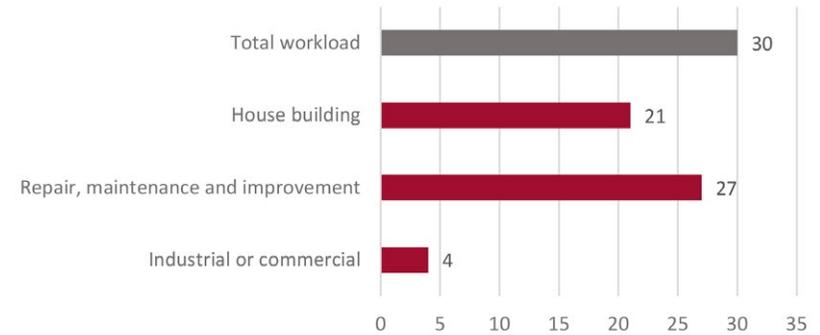
Workload and enquiries have increased in Q1 2022 compared to Q4 2021 on balance in most sectors. The repair, maintenance and improvement sector continues to have the highest net increase, with around a quarter (27%) of FMB members increasing in workload and a third (33%) growing in enquiries, although reported workload was higher in Q4 2021 (32%), suggesting a slight dip in the RMI market. However, RMI enquiries remain buoyant.

Industrial or commercial projects continue to have the lowest net increase, with 4% saying their workload has increased on balance in Q1 and there was no net increase in enquiries in Q1, down from 5% in Q4, suggesting the sector is struggling in current market conditions.

Housebuilders are reporting slightly more work comparatively to the last quarter, up from 19%, although reported enquiries are down on balance from Q4 2021 from 22% to 16% in Q1. This might suggest a cooling off of the market. The FMB will continue to campaign for an increase in SME housebuilding to ensure greater diversification of the housing market.

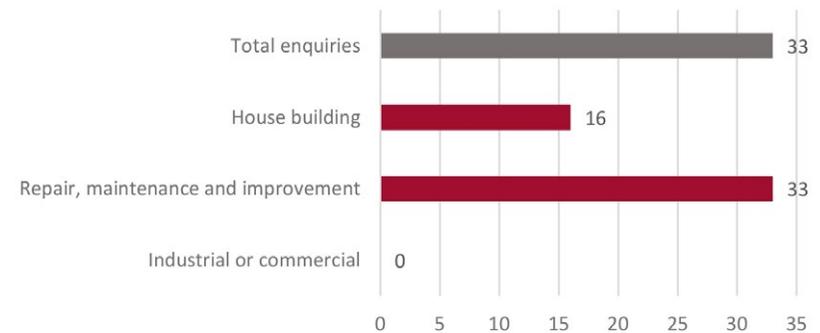


### Workload by sector



Graph 3 - Q3. Looking back, how does your company's workload in the period January - March 2022, compare to that in October - December 2021, thinking about total workload, and in the specific sectors of the industry that you work in? Base: Total workload (n=304); House building (n=166); Repair, maintenance and improvement (n=281); Industrial or commercial (n=151). Excluding N/As

### Enquiries



Graph 4 - Q6. Looking back, how has the level of enquiries regarding future work changed in the period January - March 2022 compared to October - December 2021? Base: Total enquiries (n=304); House building (n=171); Repair, maintenance and improvement (n=282); Industrial or commercial (n=159). Excluding N/As

## Employment and skills shortages

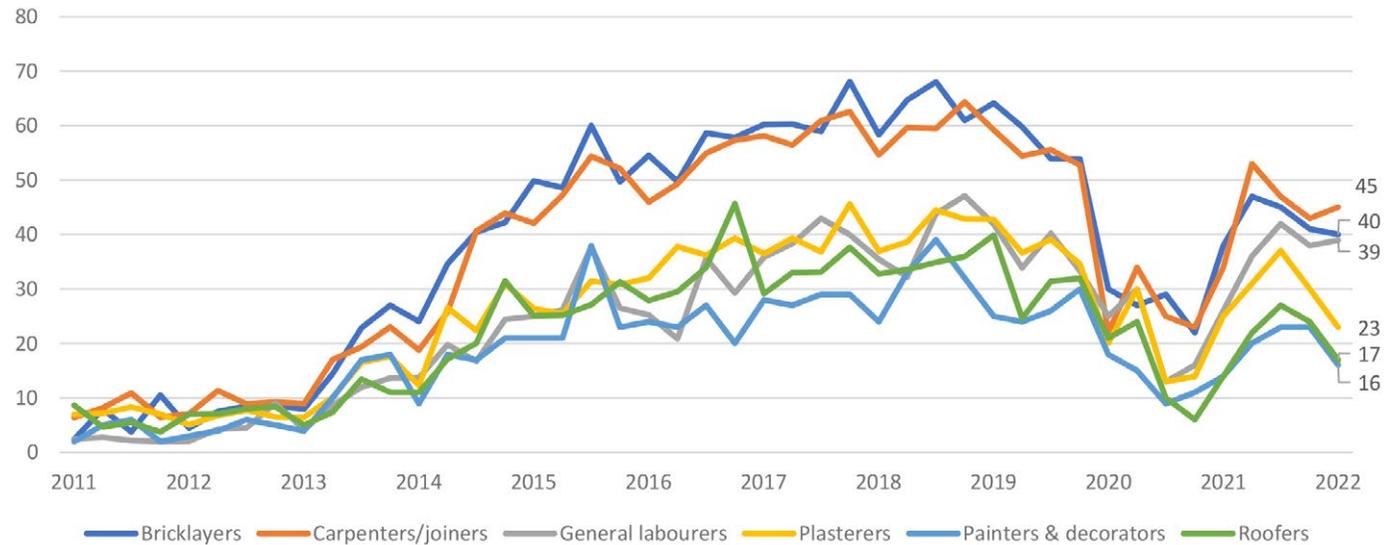
Carpenters/joiners, bricklayers and general labourers continue to be the most difficult occupations to recruit in Q1 2022, with at least two in five FMB members reporting difficulty recruiting either occupation (45%, 40%, and 39% respectively). Difficulties in hiring bricklayers is fairly stable compared to Q4 2021 (41%) along with general labourers (38% in Q4 2021). Difficulty in hiring carpenters/joiners is also relatively stable in Q1 (45%) albeit slightly up from 43% in Q4 2021. Difficulties recruiting plasterers has continued to decrease since Q3 2021.

While skills shortages are stabilising for many of the trades, with some decreasing as an issue over time, the continued lack of skilled labour is still causing job delays and cancellations as shown in graph 9 (page 8). The sector continues to suffer from long-term underinvestment in training up the next generation of builders from the UK. Certainly, more work needs to be done to improve the image of the building industry as a rewarding career further and further investment is needed to provide better training and education opportunities. Being a builder must be seen as a rewarding career path and not a job of last resort.

**“Government needs to invest more in getting young people interested in apprenticeships and offering builders greater incentives to employ them”**

– FMB member

Difficulty in recruiting for each of the following occupations



Graphs 5 - Q10. For which of the following trades has your company found it difficult to recruit skilled staff over the period of January - March 2022? Base: Total (n=304)



## Prices and costs

The majority of FMB members continue to report an increase in prices and costs in Q1 2022. Nearly all FMB members (98%) report an increase in material costs in Q1 on balance, and around a third (61%) report a rise in wages and salaries. Around four in five (83%) say the prices they are charging for work have increased. Nearly all (95%) say they expect material costs to increase in Q2 of 2022 and over two thirds (67%) are expecting an increase in wages and salaries. Around four in five (83%) are expecting to increase the prices they charge for work.

With energy prices soaring, the war in Ukraine, and rampant inflation, prices are increasing with little possibility of a fall in the short term. The full impact of the war in Ukraine is still unknown but we do know that some raw materials are affected which has a knock-on effect for construction materials. Energy intensive materials have also seen prices rise significantly. Pragmatic measures to ease the burden on small builders would go some way to help this, such as the removal of VAT on all RMI jobs, which would lower costs for consumers ensuring work doesn't drop off for builders.



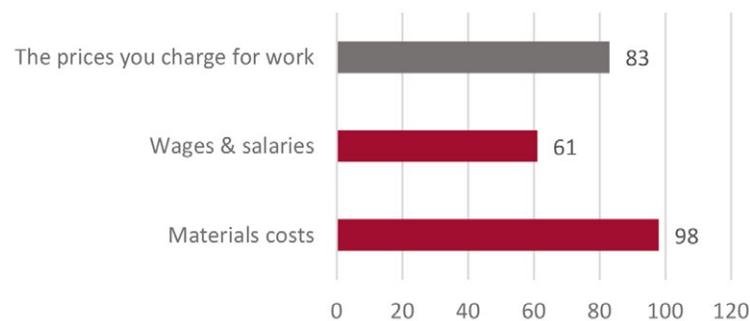
**“Shocked with the price increase of materials”**

– FMB member

**“Materials and fuel costs are rising too fast, the clients are getting worried about spending money as the future is uncertain”**

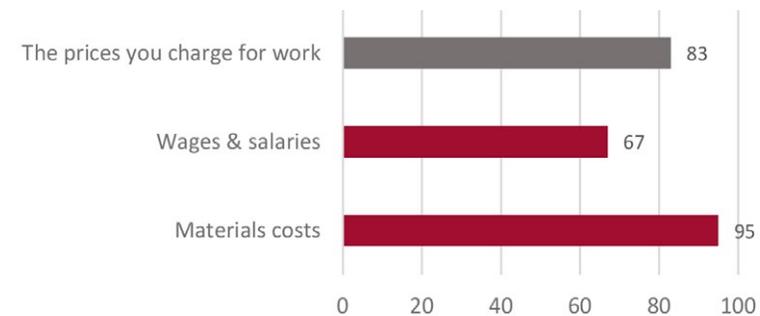
– FMB member

Prices and costs



Graph 6 - Q11. How have both the prices that you charge for work, and your outgoing costs changed over the period of January – March 2022? Base: The prices you charge for work (n=302); Wages & salaries (n=302); Materials costs (n=302) Excl N/As. Net balance of change

Expected prices and costs



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 April – June 2022? Base: The prices you charge for work (n=303); Wages & salaries (n=301); Materials costs (n=303) Excl N/As. Net balance of change

## Impact of lack of materials and skilled tradespeople available

After asking this question as a one-off back in Q3 of 2021, it was felt that given that skills and materials issues are so troubling we'd introduce it as a permanent question, to help track the issue. The majority of FMB members have had jobs impacted by a lack of materials or a lack of skilled tradespeople during Q1 2022. Around three quarters (73%) stated a lack of materials had delayed jobs. The impact of lack of skilled tradespeople is causing half (55%) to say this has delayed jobs, while 11% say this has led to jobs being cancelled.

Compared to Q3 2021, when this question was last asked, both the impact of lack of materials and skilled tradespeople have reduced (85% and 67% having jobs impacted by these factors respectively). The proportion of jobs being cancelled because of lack of materials remains the same, at 8%, in Q1 2022 as it was in Q3 2021. However, what we are seeing is that despite a drop off from Q3 2021, there are still significant issues, that are detrimental to builders and consumers. While many of the global issues last year causing material delays have eased, it's clear that more needs to be done to ensure SMEs are receiving the products they require to work.



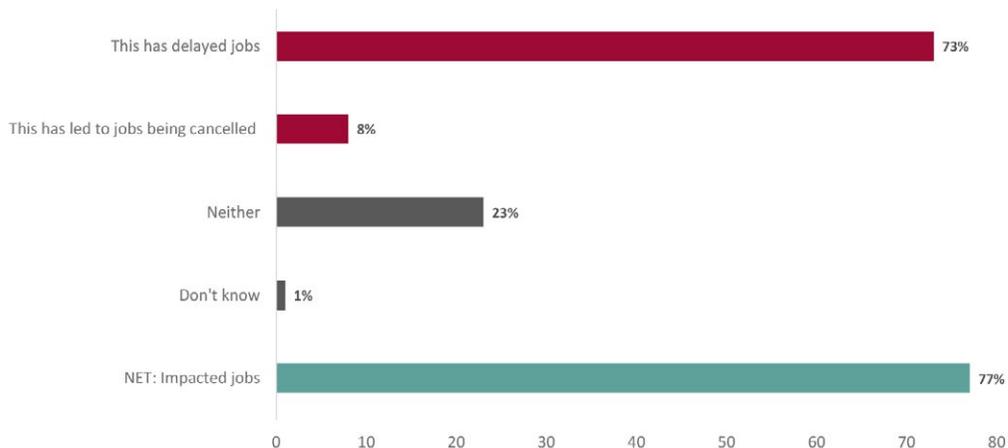
**“Not looking at expansion due to lack of available labour. Many jobs being turned down”**

– FMB member

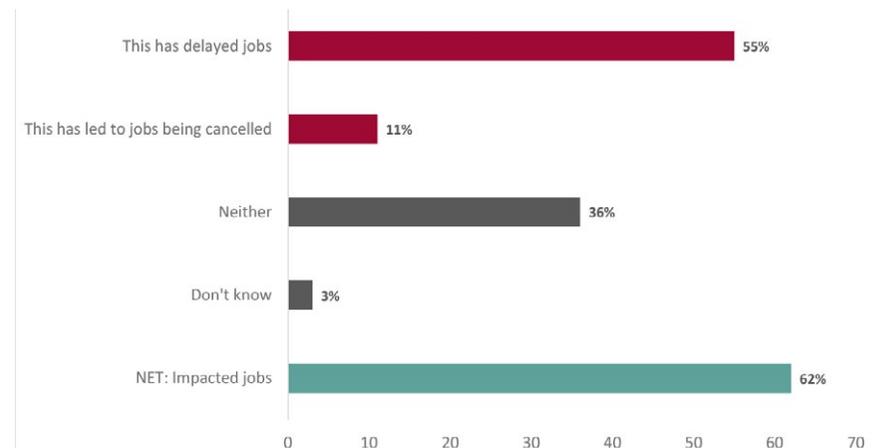
**“Material costs are increasing, sometimes there is a shortage on certain materials, this does cause a problem on costing jobs and completion dates”**

– FMB member

### Impact of lack of materials January – March 2022



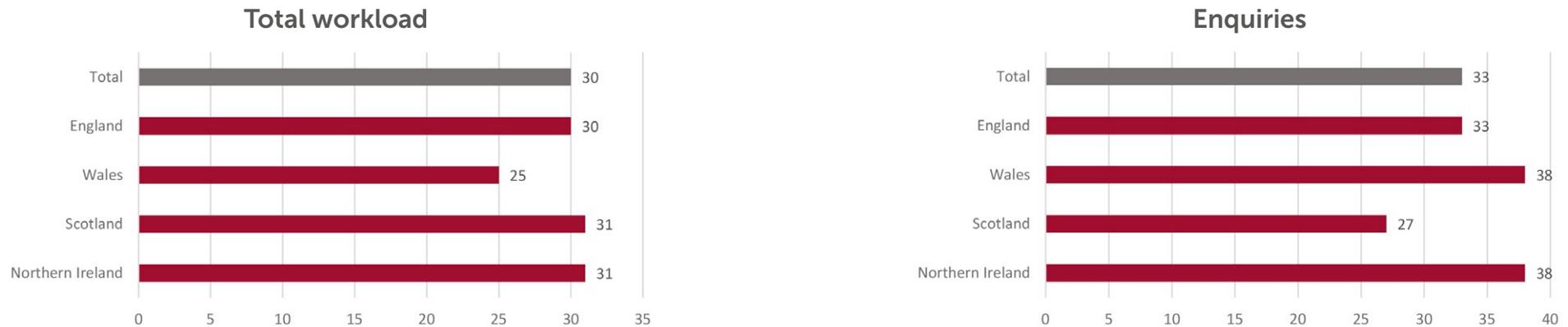
### Impact of lack of skilled tradespeople January – March 2022



Graph 8 (left) and 9 (right) - Q13.1 and 13.2. How, if at all, have each of the following impacted your company's work over the period of January – March 2022? Base: All respondents (n=304)

## Key indicators in the home nations

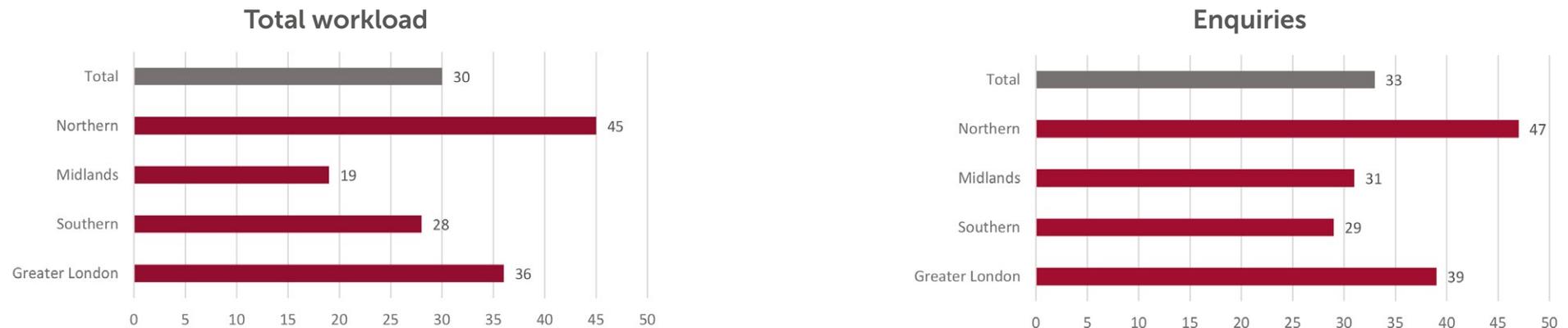
Workload in Q1 2022 has stayed at broadly similar levels to Q4 2021 for England, Scotland and Northern Ireland, however, the net balance has dropped sharply from 67% to 25% for Wales. Moreover, enquiries have stayed consistent between Q4 2021 and Q1 2022 for England. Northern Ireland has seen a sharp rise in enquiries, up from 16% in Q4 2021 to 38% in Q1 2022. However, there has been a decrease in Q1 2022 on balance for Wales (48% to 38%) and Scotland, which has seen sharp decrease in enquiries (50% to 27%) compared to Q4 2021. Overall, despite some decreases in workload and enquiries, there does appear to be a stabilising of the market, with all parts of the UK seeing similar workload and enquiry levels.



Graphs 10 and 11 -. Q3/Q6. Base: England (n=249); Wales\* (n=16); Scotland\* (n=26), Northern Ireland\* (n=13) \*Caution: Results should be treated as indicative due to limited base size. Net balance of change.

## Key indicators in the English regions

Within England, in the North there has been a significant uptake in reported work comparatively to the last quarter (45% vs. 25% in Q4 2021). Greater London has also seen an increase (36% vs. 24% in Q4 2021). While members are still reporting an increase overall across Q1 2022, the Midlands has seen a sharp decrease in workload from 31% in Q4 2021 to 19% net workload. The South remained stable. Enquiries were relatively consistent with the previous quarter, except FMB members in the North who have seen an increase in the balance from 31% in Q4 2021 to 47% in Q1 2022. The overall picture is slightly more buoyant for some areas comparatively to Q4 2021, although the Midlands has dropped off significantly in reported increased workload, but enquiries are stable.



Graphs 12 and 13 - Q3/Q6. Base: Northern (n=53); Midlands (n=48); Southern (n=148); Greater London (n=44). Net balance of change.

### **For more information**

This quarter, the survey was issued between 29th March and 11th April 2022 and received 304 completes. It was published in April 2022.

For more information about the FMB please visit

**[www.fmb.org.uk](http://www.fmb.org.uk)**

For more information about Savanta ComRes, please contact: Maddy Swain, Research Executive:

**[maddy.swain@savanta.com](mailto:maddy.swain@savanta.com)**



**Savanta:**  
**ComRes**