

Q2
2021

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FEDERATION OF
**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 **April to June 2021**. It casts ahead to **July to September 2021**.





BRIAN BERRY, Chief Executive,
Federation of Master Builders

View from the Chief Executive

Rising workloads are bringing mixed blessings for builders across the UK. Despite some COVID-19 restrictions still being in place at the time the survey was issued, we can report the highest workloads and enquiry levels for a decade. However, the Q2 2021 edition of the FMB's State of Trade Survey sets out in stark terms the extraordinary rise in material prices, and the difficulties this is causing for local builders. This challenge has now been joined by a growing struggle to secure labour. While it is of course positive to see small building companies and sole traders – especially those working in the repair, maintenance and improvement (RMI) sector – bouncing back with energy from the difficulties of 2020, they now face a perfect storm.

'Mindboggling' price rises are delaying jobs

Long waits for materials are causing delays to builders being able to complete jobs. The respondents to our survey are increasingly worried that this, and material price inflation, will put customers off. 98% of builders reported rising material prices, with the same number expecting costs to keep going up into Q3 2021. Purchasing materials is becoming a job in itself, with participants to this survey reporting the long hours they are working just to find the products they need. It is getting harder to run a business. While small builders are feeling the pinch, our survey data tells us that it won't be long until this hits consumers' pockets too.

Concerns about rogue traders

Some members are increasingly concerned that rising prices will spark a wave of rogue trading, as customers desperate to get their building works completed will place themselves at the mercy of cowboy builders. Greater support is needed from government and the whole industry, to explain to consumers why prices are going up. At a time when small building companies are struggling to find building materials it becomes ever more important for them to have the same access to materials as the larger firms. Ultimately, to protect the consumer, and the reputation of the building industry, we need a mandatory licensing system for UK construction. This long-running FMB campaign is gaining momentum, with moves in Parliament to establish such a system.

"The percentage increases in materials is mindboggling; every order costs more than the last across the board."

– FMB member, July 2021



BRIAN BERRY, Chief Executive,
Federation of Master Builders

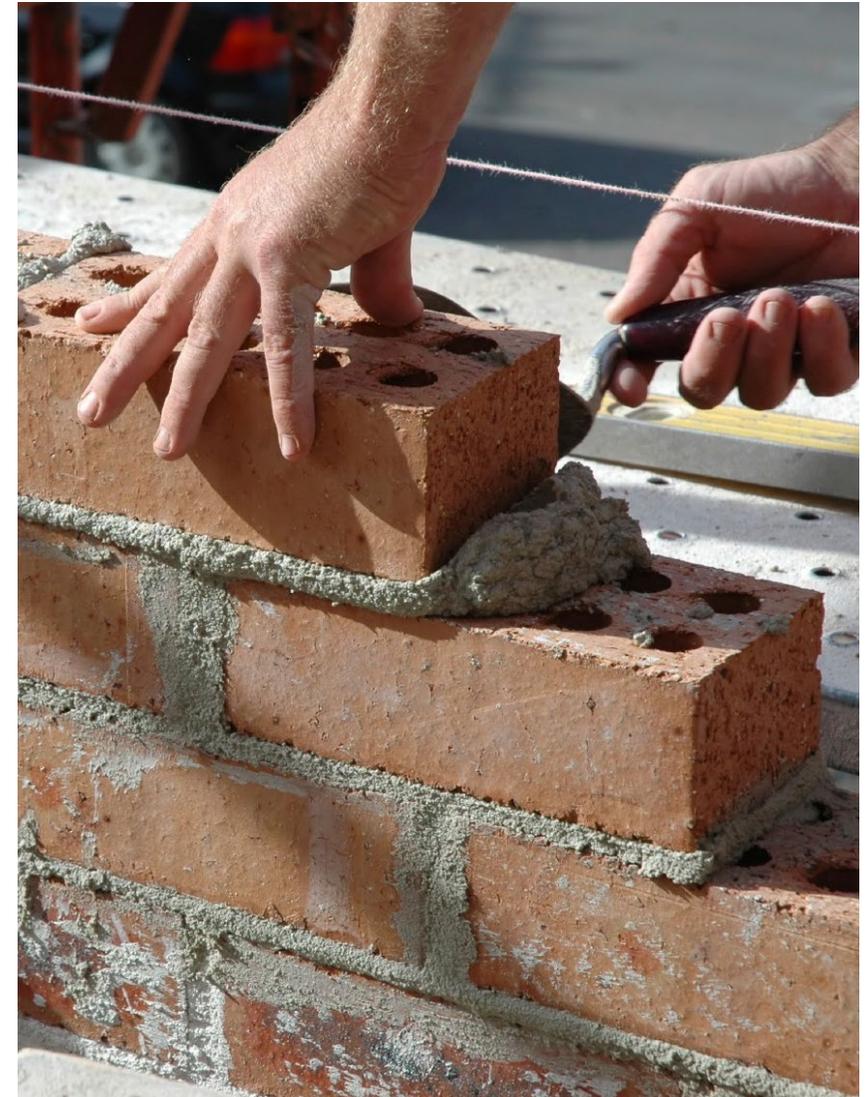
“SME construction businesses...need government support to continue or many will not survive the next year and home owners will be left vulnerable to an increasing number of rogue traders undercutting decent trades to try and improve their homes with potentially disastrous results.”

– FMB member, July 2021

View from the Chief Executive

Skilled workforce

Alongside materials, the other crucial input to any building project is labour. Our survey indicates a leap in the number of builders struggling to hire key trades with 53% reporting difficulties hiring carpenters/ joiners and 47% struggling to find bricklayers. There may be plenty of work out there, but there is a marked shortage of apprentices and skilled workers which is holding construction back. The FMB supports industry efforts to encourage more people into construction and this needs to start in schools if we are to attract the people we need. It is the SMEs who do the bulk of the training in construction, and the FMB supports the extension of heightened incentive payments to take on apprentices past the planned end date of September. However, with shortages like those set out in this survey, and future skills needs relating to the retrofit agenda, small builders will need help. We will be looking to the Spending Review later this year for further support for colleges.



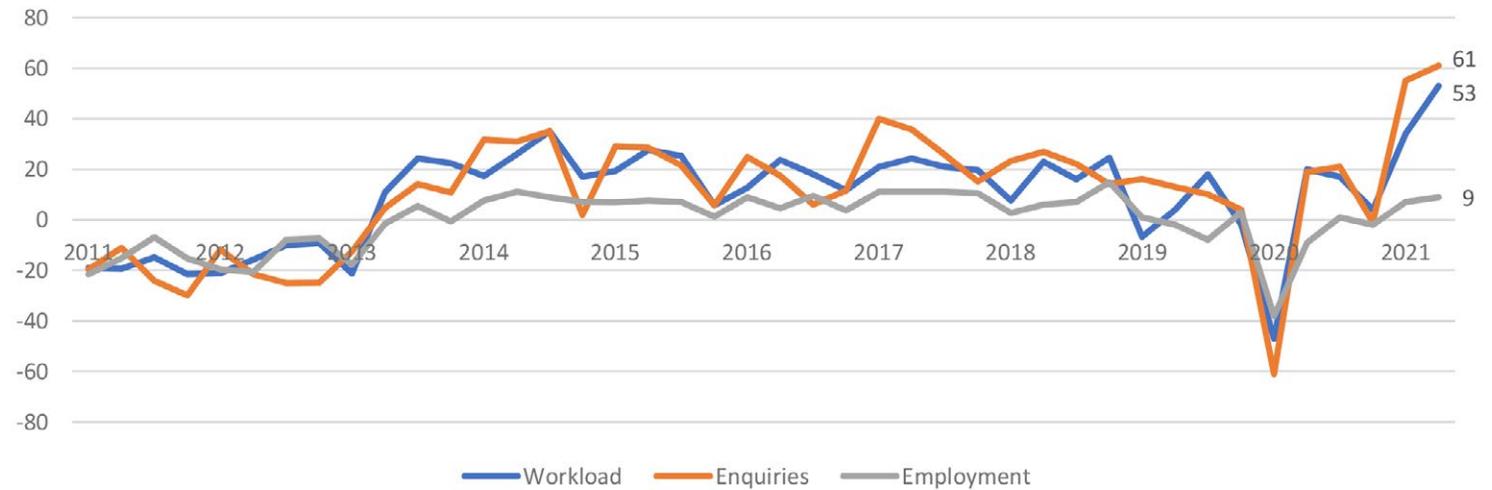
Key indicators

Workloads have remained high in Q2 2021, alongside a continued rise in enquiries and a modest rise in employment. Overall, workload and enquiries currently stand at their highest levels in more than 10 years.

60% of FMB members reported a higher workload in Q2 2021 than in Q1, and 71% reported receiving higher numbers of enquiries for future work. Both increases likely reflect the gradual lifting of COVID-19 restrictions throughout Q2, enabling higher levels of construction activity, and the positive impact of warmer weather in the spring and summer months, making building work more viable.

The rise in employment levels has been more moderate, with roughly a quarter (26%) of FMB members reporting higher staffing numbers than in Q1 2021 (though 57% report no change). There will likely be a lag between economic activity resuming after COVID-19 restrictions are lifted and this being reflected in employment figures. However, the worsening skills shortages in the sector (explored below) should be the focus here. After the sharp impact of the pandemic, we are arguably returning to the steady skills crisis that construction faced in the middle of the last decade. Government and industry must work together to address this.

Key indicators



Graph 1 - Q3. Looking back, how does your company's workload in the period April - June 2021 compare to January- March 2021? Base: Total excl N/A 2021 Q2 (n=259) Q6. Looking back, how has the level of enquiries regarding future work changed in the period April - June 2021 compared to January - March 2021? Base: Total excl N/A 2021 Q2 (n= 259) Q8. How has the number of employees within your company's workforce changed during April - June 2021 compared to January- March 2021?? Base: Total excl N/A 2021 Q2 (n= 259). Net balance of change

'As a small company we are finding the current materials and labour situation extremely difficult.'

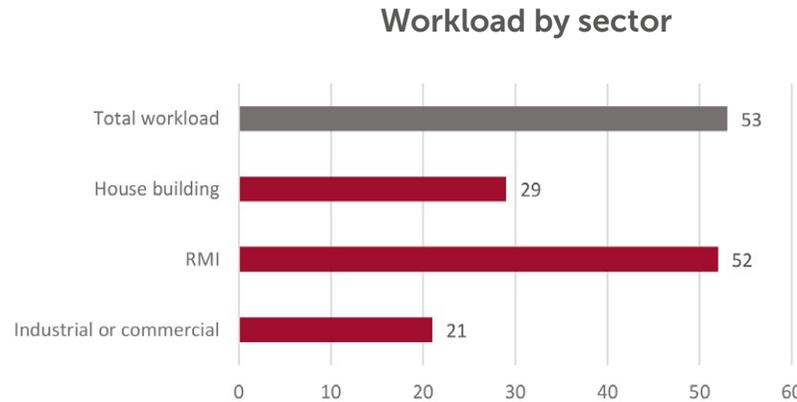
– FMB member, July 2021



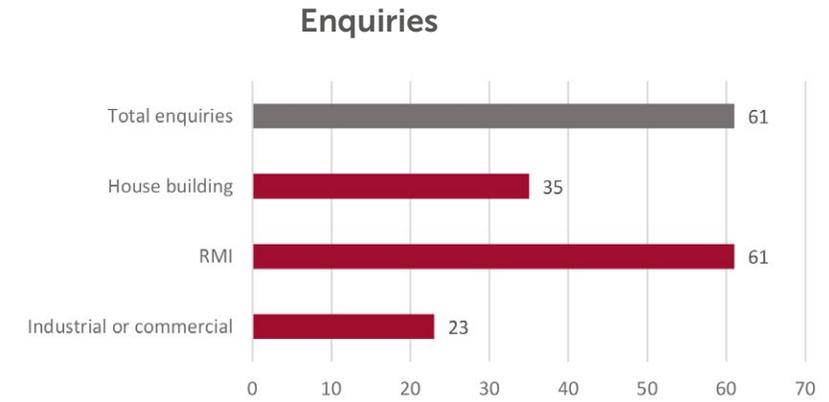
Workload and enquiries by sector

All sectors have seen increases in workload and enquiries. This has been most notable for those working in repair, maintenance, and improvement (RMI), where a majority (59%) report their workload to be higher than in Q1 2021 and 70% report more enquiries. This likely reflects pent up demand from during the national lockdowns.

Considering the UK's need to build more homes, and diversify the housing market, it is of some concern that the recovery in the house building sector has been less strong.



Graph 2 - Q3. Looking back, how does your company's workload in the period April - June 2021 compare to that in January - March 2021, thinking about total workload, and in the specific sectors of the industry that you work in? Base: Total workload (n=259); House building (n=145); Repair, maintenance and improvement (n=240); Industrial or commercial (n=126). Excluding N/As. Net balance of change



Graph 3 - Q6. Looking back, how has the level of enquiries regarding future work changed in the period April - June 2021 compared to January - March 2021? Base: Total workload (n=259); House building (n=157); Repair, maintenance and improvement (n=244); Industrial or commercial (n=110). Excluding N/As. Net balance of change

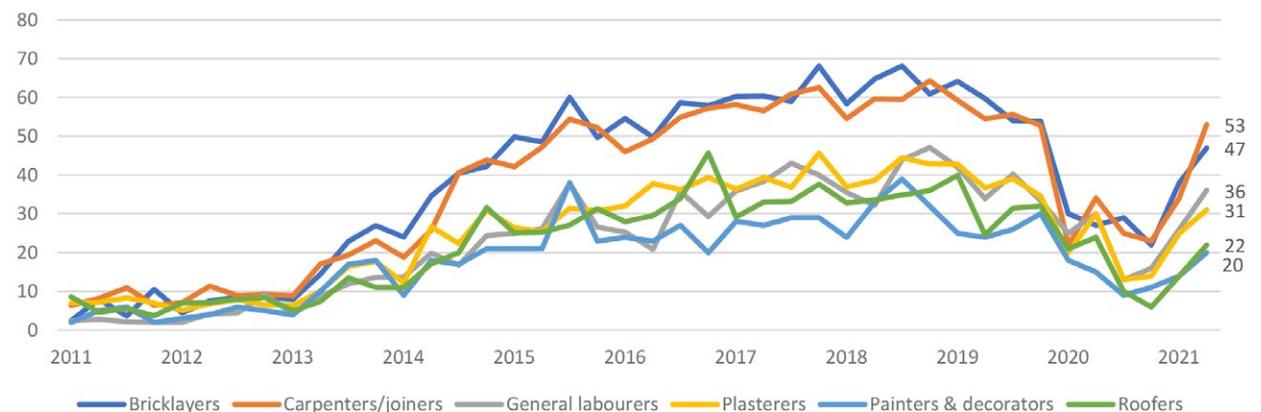
Employment and skills shortages

The sharp leap in the proportion of builders facing skills shortages is worrying. The problem facing builders is particularly stark in the key trades. Around half of member companies found it difficult to recruit carpenters/joiners and bricklayers (53% and 47% respectively) in Q2 2021. This represents a big increase on the previous two quarters.

"Finding skilled tradesmen is almost impossible."

- FMB member, July 2021

Difficulty in recruiting for each of the following occupations



Graph 4 - Q10. For which of the following trades has your company found it difficult to recruit skilled staff over the period of April - June 2021? Base: Total (n=259)

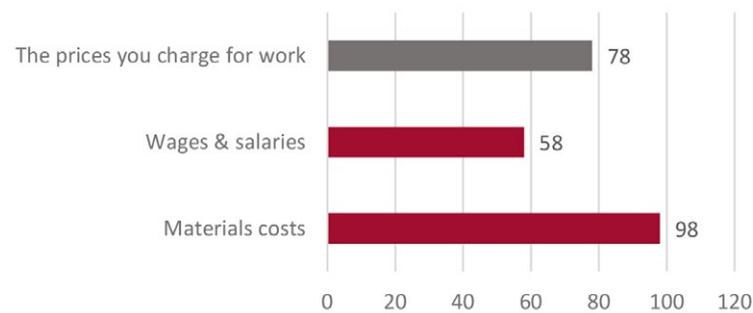
Prices and costs

The prices that small builders are charging for work have risen again this quarter. 80% have increased their prices since Q1, with builders noting both material price increases and an increase in wages and salaries throughout the sector as reasons for this.

Between April and June, nearly all FMB members (98%) responding to this survey reported material costs had increased. These pressures are expected to continue, with a similar proportion of builders predicting their prices for work, wages and salaries to increase, alongside rising material prices, into Q3 2021. Prices and costs throughout Q2, as well as those predicted for Q3, do not vary significantly by sector type.

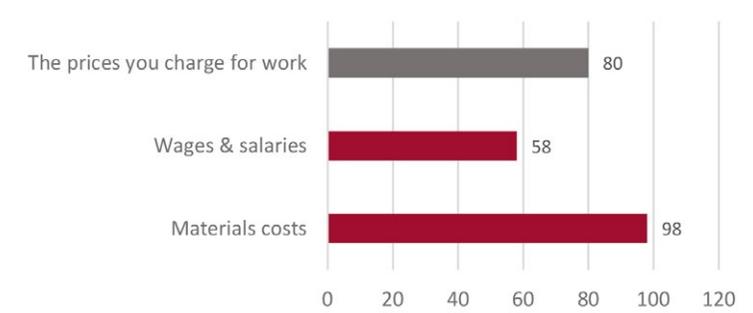
Builders reported that the effect of these price increases, largely attributable to rising material prices, risked benefitting rogue traders in the sector, who were promising unrealistic quotations and timescales for projects in order to win business.

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 April - June 2021? Base: The prices you charge for work (n=257); Wages & salaries (n=256); Materials costs (n=258) Excl N/As. Net balance of change

Expected prices and costs



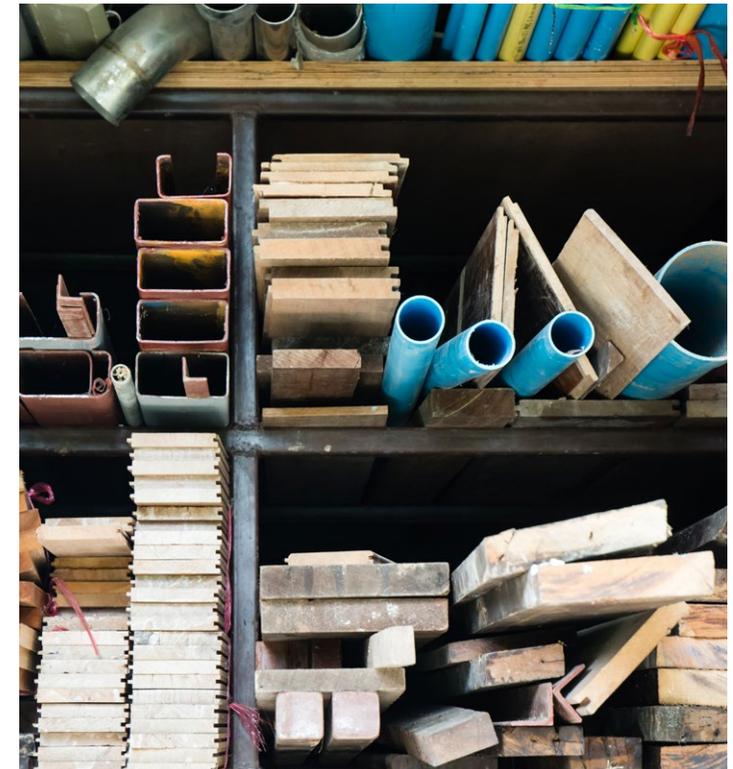
Graph 6 - Q12. And how do you expect both the prices that you charge for work, and your outgoing costs to change over the period of July - September 2021? Base: The prices you charge for work (n=258); Wages & salaries (n=258); Materials costs (n=259) Excl N/As. Net balance of change

"The substantial increase in material prices across the board is making the prices for new work unviable for many customers. We have had an increase in timber prices in excess of 100% over the last 6 months."

- FMB member, July 2021

"A shortage of materials means that work is taking longer to complete. There is also a shortage of hire plant and lorry drivers."

- FMB member, July 2021



Key indicators in the home nations

Workloads and enquires have increased across England, Wales, Scotland and Northern Ireland. However, builders in England have experienced a slightly more modest rise in workloads and enquires during Q2 2021, compared to Q1, and to builders from the devolved nations. This is despite England lifting COVID-19 restrictions ahead of the devolved nations.

Increases were strongest in Wales, where 82% reported higher numbers of enquiries, and Northern Ireland, where 93% reported the same. From a low base, Scotland is bouncing back well. That it lags behind the other home nations likely reflects the more extended period of lockdown for construction firms in this part of the UK.



Graphs 7 and 8 - Q3/Q6. Base: England (n=206); Wales* (n=17); Scotland* (n=21), Northern Ireland* (n=15) *Caution: Results should be treated as indicative due to limited base size. Net balance of change

Key indicators in the English regions

Activity in the North of England was strongest of all the English regions, with 65% reporting a higher workload in Q2 2021 than in Q1, and 75% of respondents receiving a higher number of total enquires. Conversely, workload was lowest in the South of England, where just over half (55%) reported their workload to have increased.



Graphs 9 and 10 - Q3/Q6. Base: Northern (n=40); Midlands (n=49); Southern (n=117); Greater London (n=36). Net balance of change

For more information

This quarter, the survey was issued between 28 June and 19 July 2021 and received 259 completes. It was published in July 2021.

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

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