



STATE OF TRADE SURVEY

Q2 2016



FEDERATION OF
**MASTER
BUILDERS**

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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 Q2 2016, SME workloads continued to experience rising activity despite the uncertainty surrounding the EU referendum as more business registered higher workloads (37% vs 33%). Firms posting lower workloads fell to 13% from 21% in the three months to March 2016.

Over the next three months, businesses are projecting rising activity levels, albeit at a much slower rate compared with the previous quarter. The share of firms expecting higher workloads dropped to 30% from 38%, while over half (60%) of respondents anticipate no change in workloads.

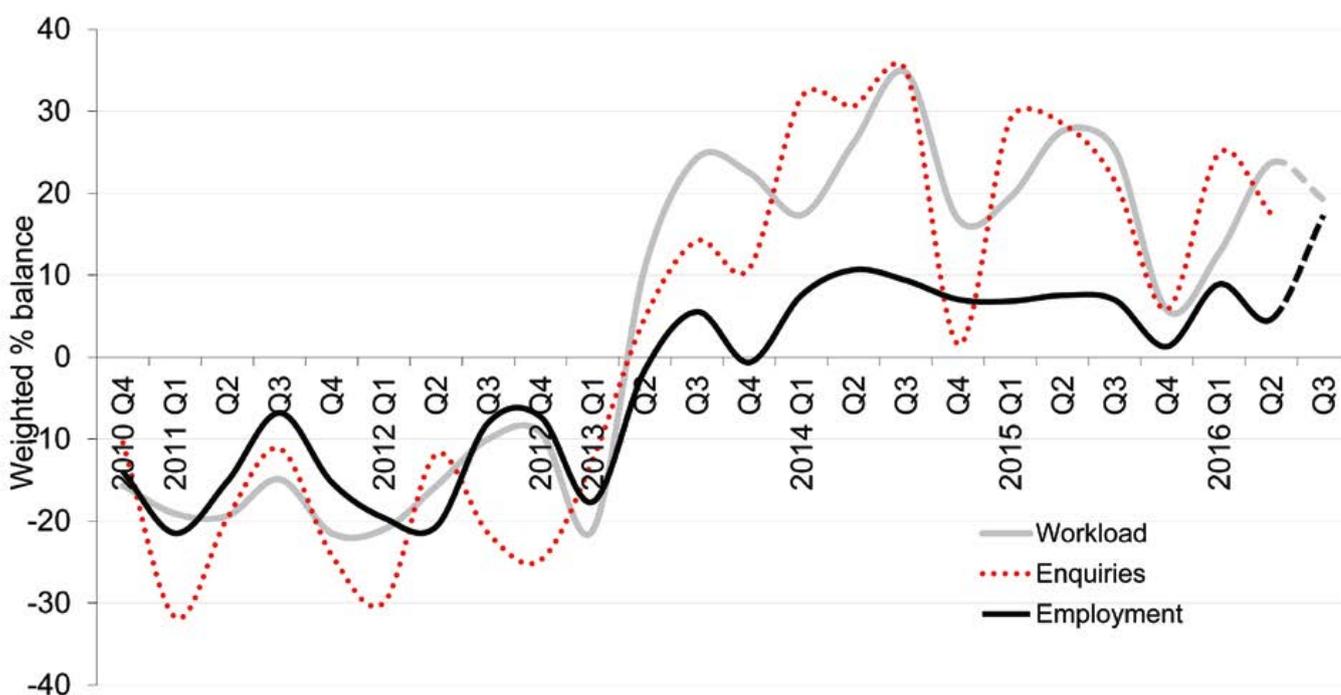
The latest regional composite indicators show rising activity in all four home nations: The greatest increase of 22 percentage points was

seen in the Welsh net balance (+16), whereas Northern Ireland experienced the largest fall of 7 percentage points to +27.

In the second half of the year, output prices, wages and salaries and material costs are all expected to rise: However, the net balance for output prices did post a small fall of 1 percentage point, as fewer respondents (44% vs 46%) anticipate an increase in prices.

Employment rose, but at a slower pace compared with three months earlier: The share of firms reporting that their workforce had increased went down to 16% from 19%, while the majority of businesses (73%) reported no change in employment.

Key indicators



Please note: Q3 2016 reflects respondents' expectations for workload and employment

Workloads

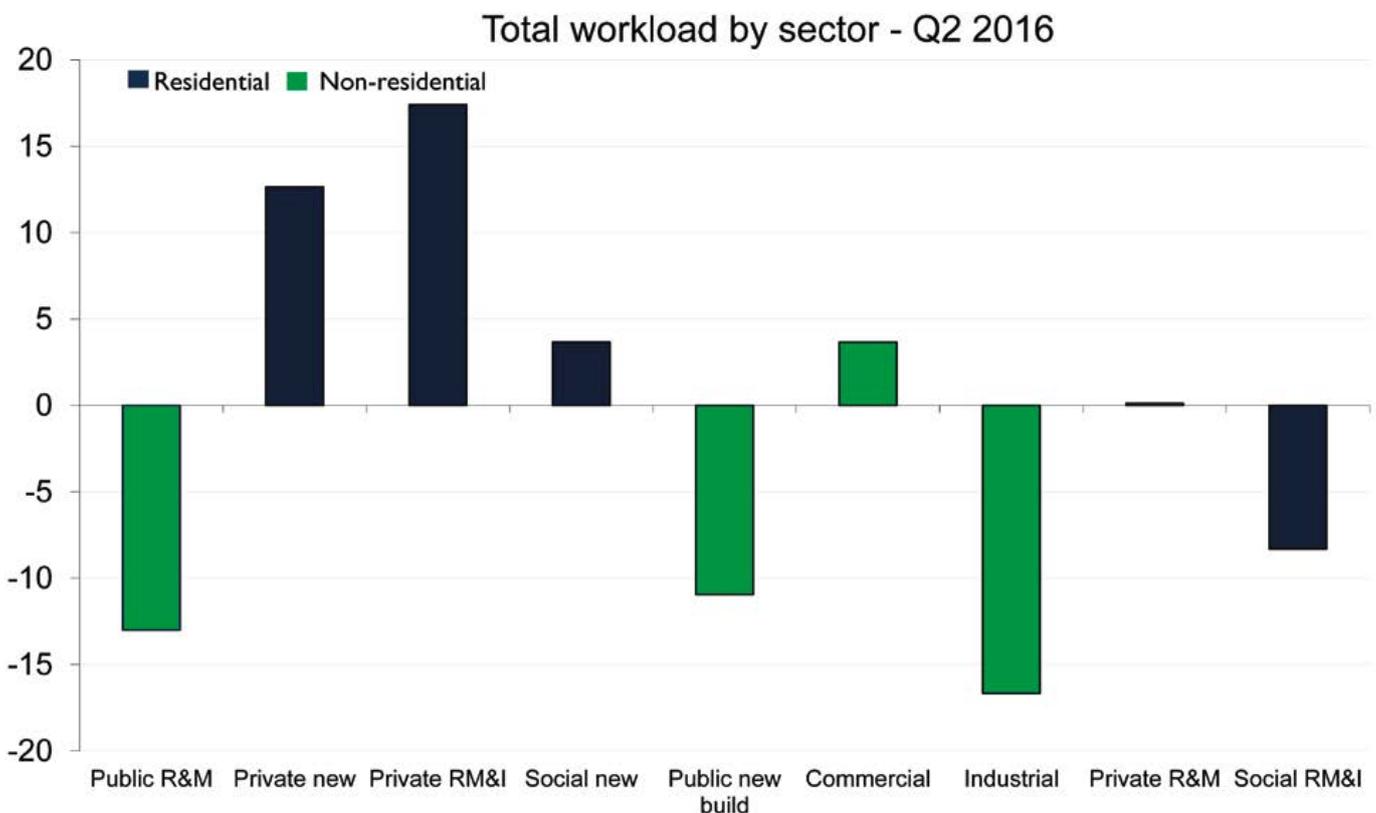
In the three months to June 2016, the net balance for overall workloads remained in positive territory for the thirteenth quarter, rising by 11 percentage points to +24. Around 37% of firms reported higher workloads, up from 33%, while fewer respondents stated lower workloads (13% vs 21%) compared with Q1 2016.

Despite posting the largest increase of 15 percentage points to -11, the net balance for the public new build sector remained in negative territory. The share of businesses stating higher workloads went up, to 14% from 6%, while those reporting lower levels decreased to 25% from 32%. The majority of firms (62%) stated no change in workloads.

The social new housing sector (+4) posted a rise of 11 percentage points in its net balance. The

share of businesses reporting lower workloads declined to 15% from 18% whereas those stating higher workloads rose to 19% from 11%.

The overall housing sector's net balance was unchanged at +22. Around 31% of respondents stated higher workloads, up from 28%, while just under a tenth (9%) of businesses indicated lower workloads, up from 6% three months earlier. Most firms (60%) reported no change in workloads. In contrast, the net balance for the non-residential sector fell by 5 percentage points to 0, indicating that overall activity is unchanged from the previous quarter. Approximately 16% of firms stated higher workloads, down from 19%, while those stating lower workloads grew (16% vs 14%). The majority (68%) of respondents stated no change in workloads.



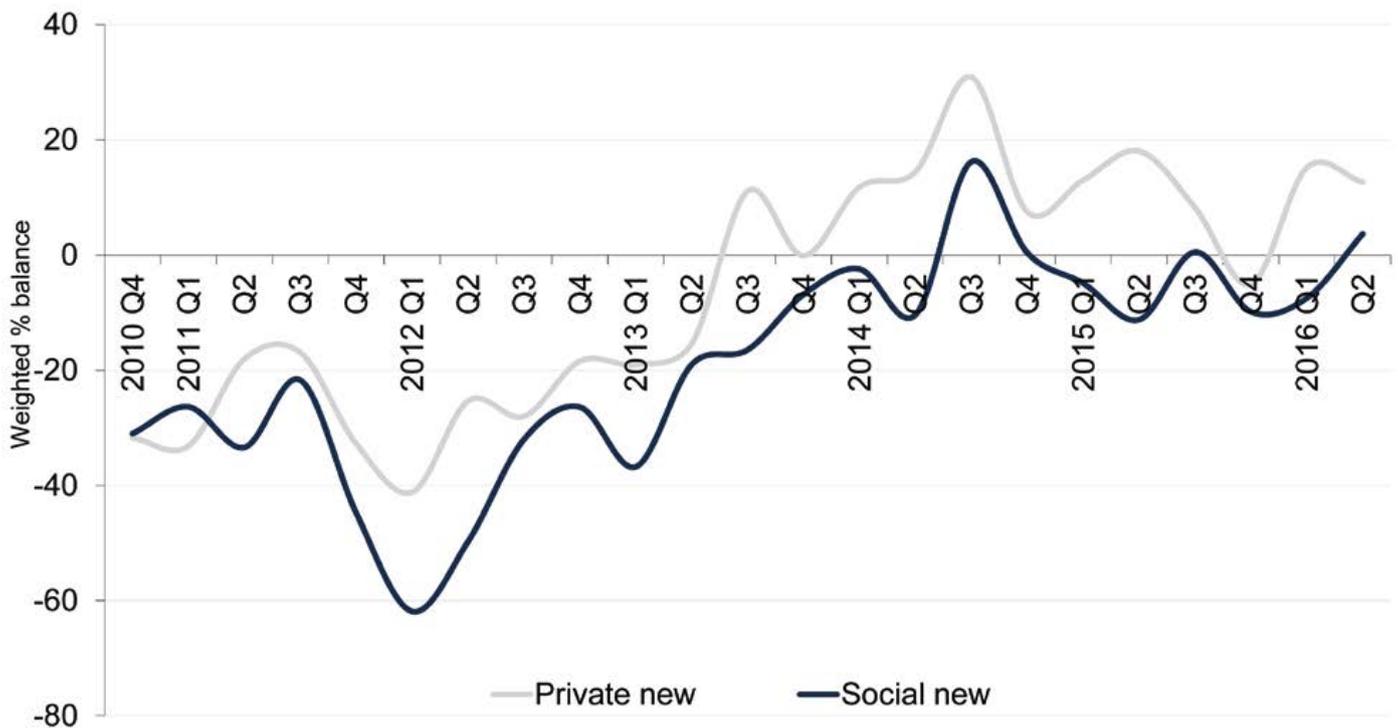
Residential workloads

Workload	Weighted % balances							
	Q3	Q4	2015 Q1	Q2	Q3	Q4	2016 Q1	Q2
Private new	+31	+8	+13	+18	+8	-5	+15	+13
Private RM&I	+24	+9	+18	+22	+19	+7	+14	+17
Social new	+16	0	-5	-11	+1	-10	-7	+4
Social RM&I	-21	-10	-9	-9	-7	-11	0	-8
Total Residential							+22	+22

The net balance for the **private new** housing sector remained in positive territory, despite falling by 2 percentage points to +13. Around 28% of businesses reported higher workloads, down from 32%, while over half of firms (58%) indicated no change in workloads.

A rise of 11 percentage points took the **social new** housing sector's net balance (+4) back into positive territory. Approximately 15% of businesses stated lower workloads, down from 18% in Q1 2016, while more respondents (19% vs 11%) stated higher workloads.

Residential historical weighted % balance - new build

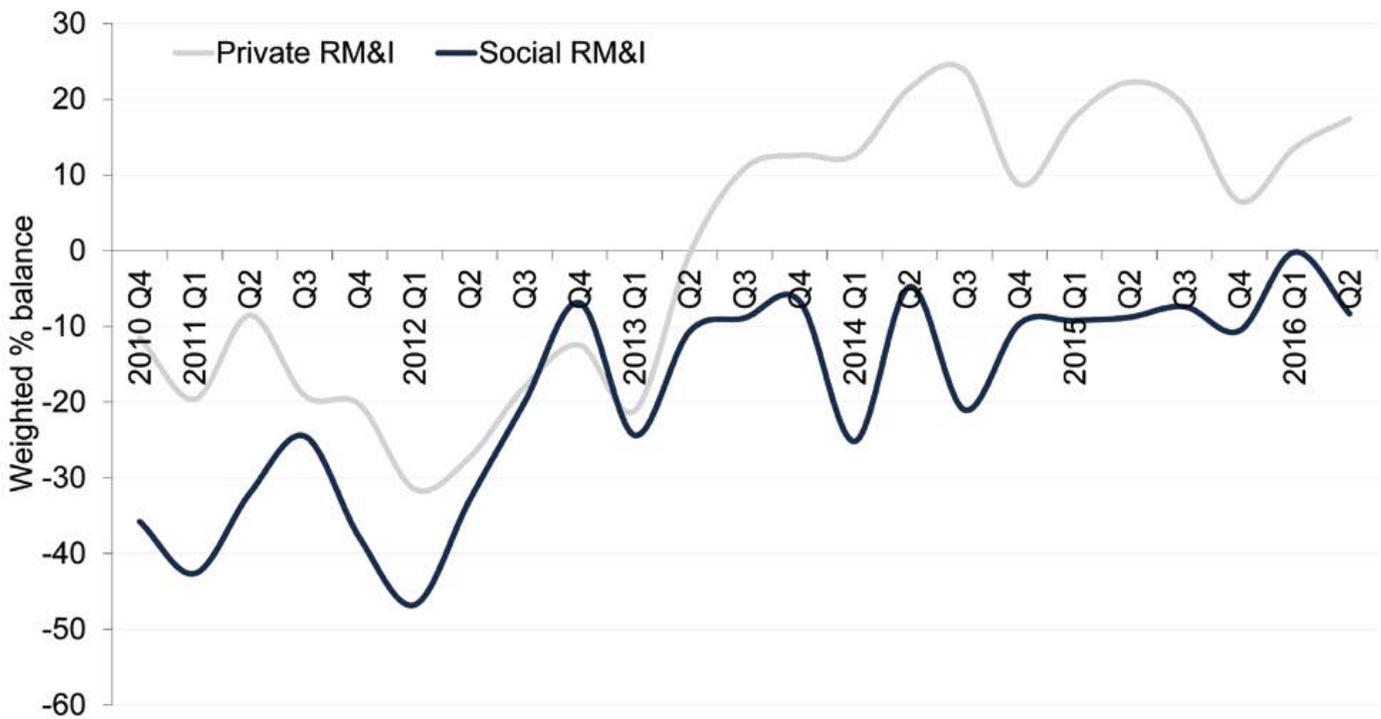


The net balance for the **social RM&I** sector declined by 8 percentage points to -8, moving back into negative territory. Around 24% of firms stated lower workloads, up from 22% three months earlier, while approximately 16% of respondents reported higher workloads, down from 22%.

An increase of 3 percentage points to +17 meant the net balance for the **private RM&I** sector remained in positive territory for the twelfth quarter running. Approximately 31% of firms reported higher levels of workloads, up from 25% three months earlier, while the majority of firms (55%) stated no change in workloads.

Residential / non-residential workloads

Residential historical weighted % balance - RM&I



Non-residential workload

Workload	<i>Weighted % balances</i>							
	Q3	Q4	2015 Q1	Q2	Q3	Q4	2016 Q1	Q2
Public new build	-5	-7	-14	+15	0	-10	-26	-11
Public R&M	+11	-19	-9	+1	+1	-15	-13	-13
Industrial	+8	+1	-8	-1	-2	-11	-15	-17
Commercial	+26	+13	+2	+2	+6	-4	+2	+4
Private R&M	+25	+6	-1	+3	+11	+5	-11	0
Total Non-Residential							+5	0

The **public new-build** sector's net balance improved by 15 percentage points to -11. Nonetheless, it remained in negative territory for the third consecutive quarter. A quarter of respondents stated lower workloads down from 32%, while over half of firms (62%) reported no change in workloads.

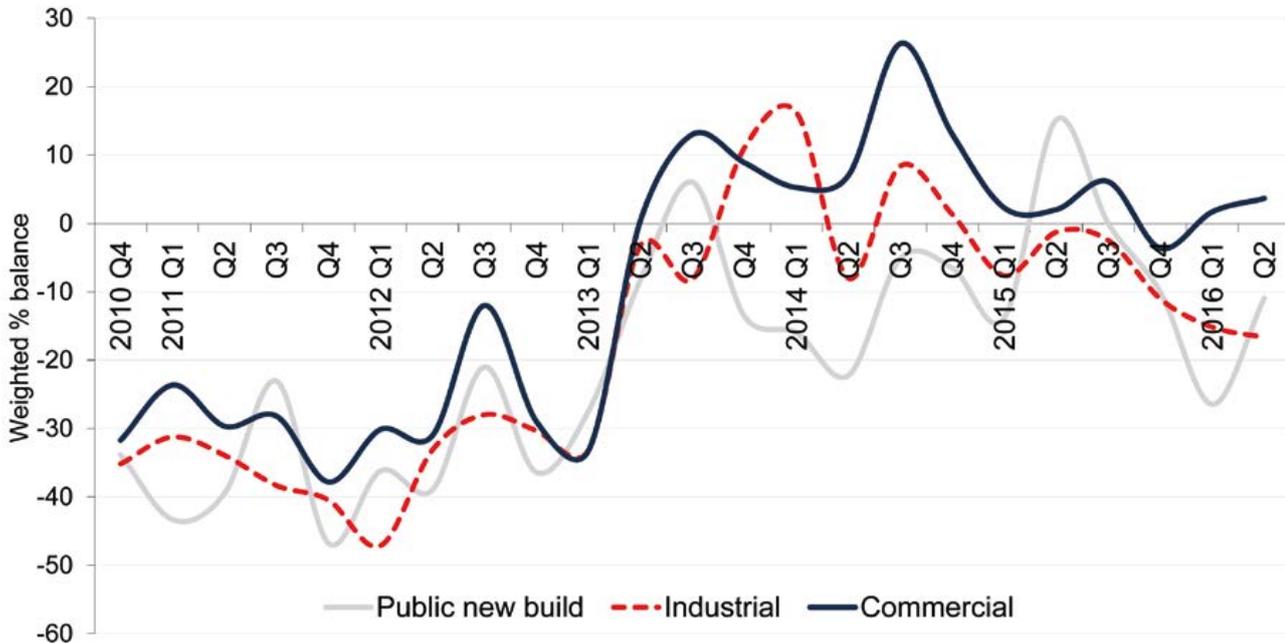
The net balance for the **commercial** sector remained in positive territory for the second successive quarter as it rose by 2 percentage

points to +4. Firms posting higher workloads increased to 26% from 22%, while the majority of respondents (52%) indicated no change in workloads.

The net balance for the **industrial** sector remained in negative territory for the sixth quarter running as it went down by 2 percentage points to -17. Just a tenth of firms registered higher workloads, down from 14%, while at 64% most firms indicated no change in workloads.

Non-residential workloads

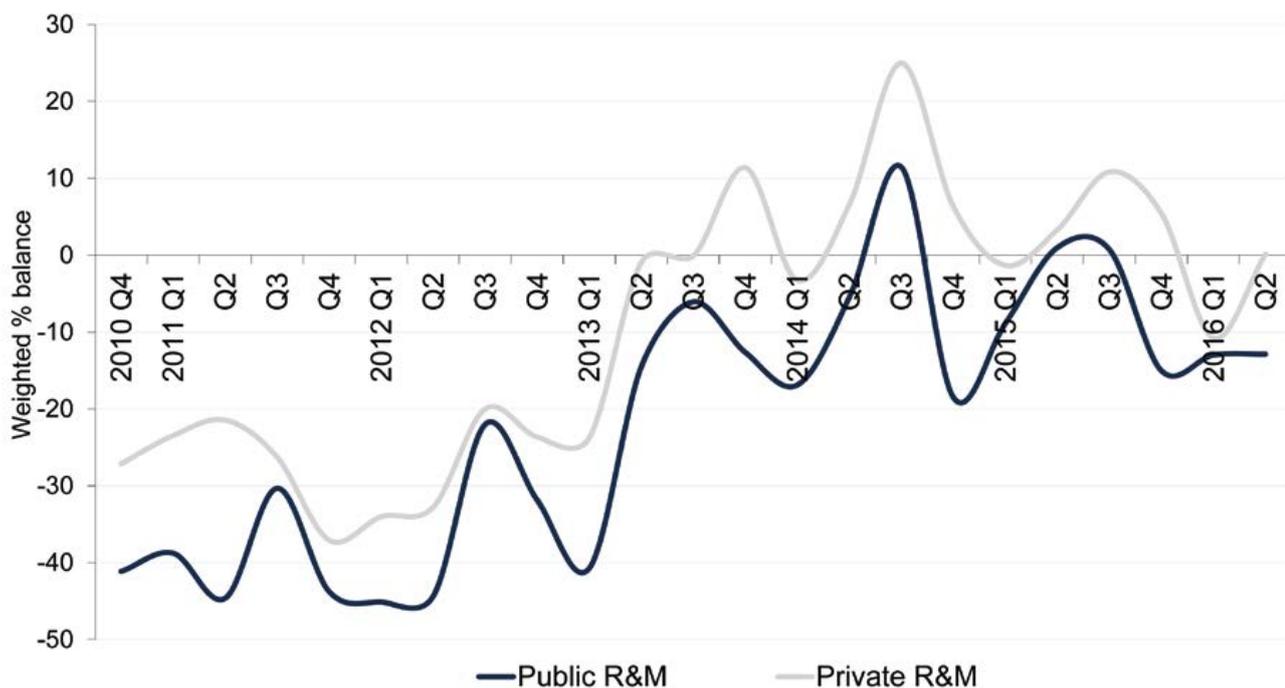
Non-residential historical weighted % balance chart - new work



There was no change in the **public R&M** sector's net balance (-13) compared with the previous quarter. Slightly more businesses reported higher workloads (10% vs 9%), while most firms (68%) reported no change in workloads.

The **private R&M** sectors net balance rose by 11 percentage points to 0, indicating that overall activity is unchanged from the previous quarter. Just over a fifth of businesses (21%) stated higher workloads compared with 9% three months earlier, whereas 58% of respondents registered no change in workloads.

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



Expected workloads and enquiries

The net balance for total enquiries declined by 8 percentage points to +17. Nonetheless it remained in positive territory for the thirteenth consecutive quarter. More firms (18% vs 14%) stated lower levels of enquiries, while businesses recording higher level of enquiries decreased to 35% from 39%.

A fall of 7 percentage points took the total expected workload's net balance to +19. The proportion of businesses with negative expectations edged down to 11% from 12%, while those predicting higher workloads, declined from 38% to 30%. The majority of respondents (60%) foresee no change in workloads.

Residential expected workload

A decline of 3 percentage points took the residential sector's net balance to +22. Approximately 30% of firms are predicting higher workloads over the next three months, down from 35%, while most businesses (62%) expect no change in workloads.

The **private new** housing market's net balance went up by 4 percentage points to +14. The proportion of firms with positive expectations for workloads rose to 30% from 27%, while those anticipating no change in workloads was unchanged at 17%.

The net balance for the **social new** housing sector remained in positive territory for the second successive quarter, as it went up by 6 percentage points to +12. Around 22% of respondents foresee higher workloads, up from 20% in the previous quarter, while fewer firms (10% vs 14%) forecast lower workloads.

The net balance for the **social RM&I** sector moved into positive territory as it improved by 20 percentage points to +3. A larger share of respondents (13% vs 6%) expect workloads to rise over the coming three months, while around a tenth of firms anticipate lower workloads, down from 23%.

A fall of 2 percentage points took the **private RM&I** sector's net balance to +17. Those respondents predicting higher workloads decreased to 24% from 32%, while the bulk of firms (68%) anticipate no change in workloads.

Expected Workload	Weighted % balances							
	Q3	Q4	2015 Q1	Q2	Q3	Q4	2016 Q1	Q2
Private new	+28	+6	+30	+16	+6	0	+10	+14
Private RM&I	+11	-1	+24	+21	+17	-4	+19	+17
Social new	+11	-6	+7	-6	-12	-5	+6	+12
Social RM&I	-7	-22	-2	+3	+2	-3	-17	+3
Total Residential							+25	+22
Enquiries								
Private new	+25	-4	+20	+16	+14	-4	+6	+16
Private RM&I	+27	+4	+24	+25	+16	+1	+15	+13
Social new	+1	-5	-5	-3	-1	-9	+12	-11
Social RM&I	-3	-14	-14	+2	+8	-1	+1	-3
Total Residential							+30	+22



Expected workloads and enquiries

Non-residential expected workload

The net balance for non-residential expected workloads went down by 3 percentage points to +11. Around 13% of respondents hold positive expectations for future workloads, down from 17% three months earlier, whereas at 85%, most of firms forecast no change in workloads.

A bounce back of 24 percentage points to +13 took the **public R&M** sector's net balance back into positive territory. Just 6% of firms predict lower workloads over the next three months, down from 17%, while around 19% anticipate higher workloads, up from 6%.

The net balance for the **private R&M** sector stayed in positive territory for the second quarter running as it rose by 7 percentage points to +13. Approximately 22% of firms forecast higher workloads, up from 14%, while the majority of firms (69%) anticipate no change in workloads.

The **industrial** sector's net balance improved by 10 percentage points to 0, indicating overall activity is unchanged from the previous quarter. The share of firms expecting higher workloads increased (20% vs 9%), while 59% of respondents predict no change in workloads.

A jump of 23 percentage points took the net balance for expected workloads in the **public new build** sector (+17) back into positive territory. Around 28% of businesses reported higher workload expectations for the coming three months, up from 13%. while the share of firms anticipating lower workloads went down to 11% from 18%.

The **commercial** sector's net balance dropped by 16 percentage points to +2. Approximately 21% of respondents anticipate lower workloads, up from 13%, whereas those forecasting higher workloads went down to 22% from 31%. More than half of businesses (57%) predict no change in workloads.

Expected Workload	<i>Weighted % balances</i>							
	Q3	Q4	2015 Q1	Q2	Q3	Q4	2016 Q1	Q2
Public new build	-12	-13	+3	+9	-3	-12	-6	+17
Public R&M	-2	-25	+2	+9	+9	-14	-11	+13
Industrial	+14	-2	-1	-2	-1	-6	-10	0
Commercial	+15	-1	+7	+3	+5	-4	+18	+2
Private R&M	+10	-6	+12	+20	+13	-4	+6	+13
Total Non-Residential							+14	+11
Enquiries								
Public new build	-10	-21	+8	-5	-12	-14	-6	-1
Public R&M	-5	-20	-5	0	-4	-23	-3	-12
Industrial	+24	+1	+7	-3	0	0	+1	+2
Commercial	+19	-5	+8	-8	+2	+2	+4	+3
Private R&M	+22	-3	+12	+9	+7	-5	-1	-3
Total Non-Residential							+8	+5



Prices and costs

	<i>Weighted % balances</i>							
	2014 Q3	Q4	2015 Q1	Q2	Q3	Q4	2016 Q1	Q2
Output prices	+32	+32	+30	+29	+37	+23	+29	+26
Wages & salaries	+38	+41	+44	+43	+56	+44	+44	+45
Materials costs	+75	+72	+77	+73	+68	+60	+64	+65

	<i>Weighted % balances</i>							
Expected	2014 Q3	Q4	2015 Q1	Q2	Q3	Q4	2016 Q1	Q2
Output prices	+45	+47	+47	+42	+44	+42	+43	+42
Wages & salaries	+40	+43	+51	+55	+44	+46	+51	+53
Materials costs	+72	+75	+70	+67	+63	+69	+63	+63

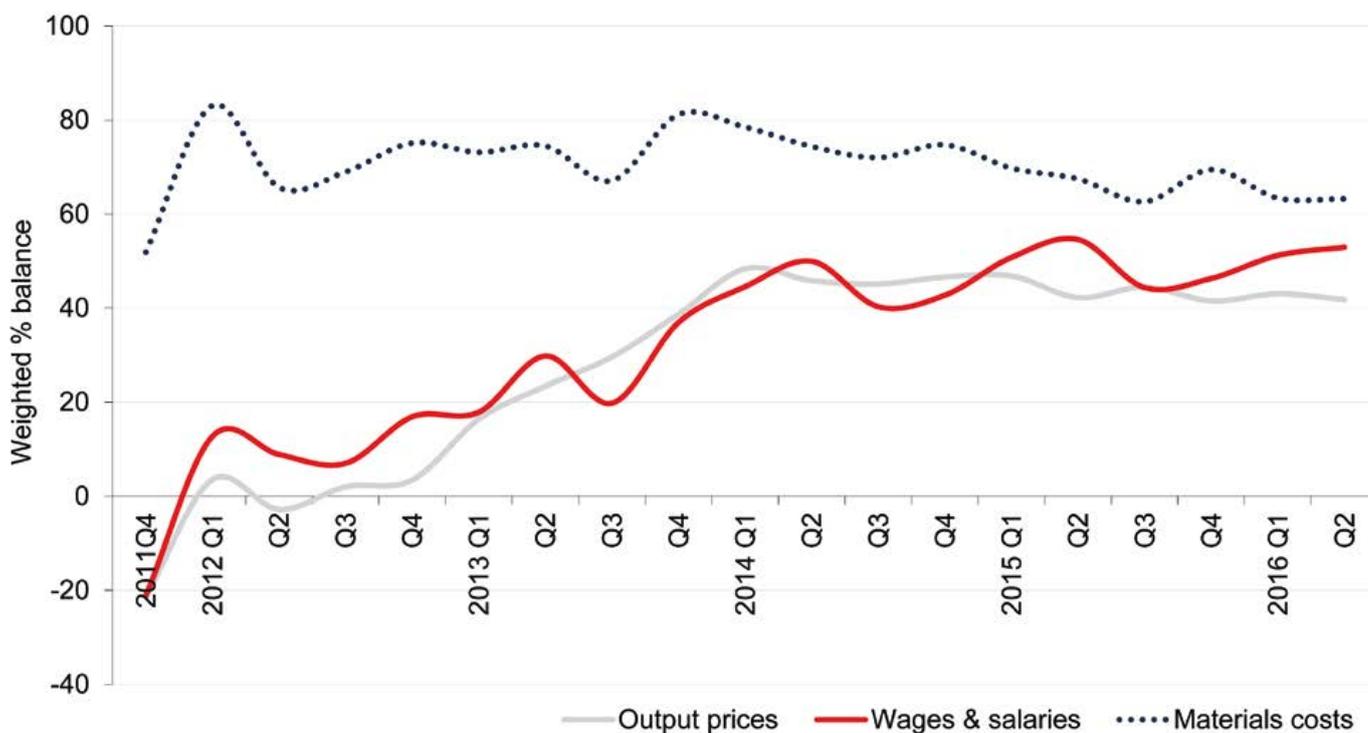
The net balance for expected output prices edged down by 1 percentage point to +42. Fewer firms (44% vs 46%) expect an increase in output prices over the next six months, while over half of businesses (54%) anticipate no change in prices.

A rise of 2 percentage points took the net balance for expected wages and salaries to +53. Around 56% of respondents anticipate increasing wages and salaries, up from 53% in the three months to

March 2016. Approximately 41% of firms forecast no change in wages and salaries over the next six months, down from 46%.

The net balance for expected materials costs was unchanged at +63. While firms expecting material costs to increase over the coming six months rose (65% vs 63%), so did those predicting a fall in material costs (2% vs 0%).

Prices & costs weighted % balance chart



Employment and labour

Employment	Weighted % balances							
	2014 Q3	Q4	2015 Q1	Q2	Q3	Q4	2016 Q1	Q2
All builders	+10	+8	+8	+8	+9	0	+9	+7
All specialists	+9	-1	0	+12	-3	+6	+8	+2
Total Employment	+9	+7	+7	+8	+7	+1	+9	+5

Expected employment	Q3	Q4	2015 Q1	Q2	Q3	Q4	2016 Q1	Q2
All builders	+26	+11	+23	+23	+19	+18	+26	+17
All specialists	+15	+32	+24	-5	+24	-2	+14	+14
Total Employment	+24	+13	+23	+19	+20	+16	+20	+16

The total employment net balance remained in positive territory for the tenth consecutive quarter, despite falling by 4 percentage points to +5. Slightly more firms indicated that staffing levels had decreased (11% vs. 10%) while fewer respondents stated a rise in employment levels (16% vs. 19%).

The net balance for all builders declined by 2 percentage points to +7. Just under a fifth of firms (19%) indicated an increase in their workforce, down from 21% three months earlier. The share of businesses stating a decline in staffing levels was unchanged at 12%.

A decrease of 6 percentage points took the all specialists' net balance to +2. A tenth of businesses stated that their workforce had decreased, up from 8%, while approximately 12% of respondents indicated a rise in their labour force, down from 17% in Q1 2016.

Despite declining by 4 percentage points to +16, the net balance for overall employment expectations remained in positive territory for the thirteenth successive quarter. Approximately 19% of businesses indicated that their staffing levels are likely to increase over the next six months, down from 25%. In contrast, 78% of respondents foresee no change in staffing levels, up from 69%.

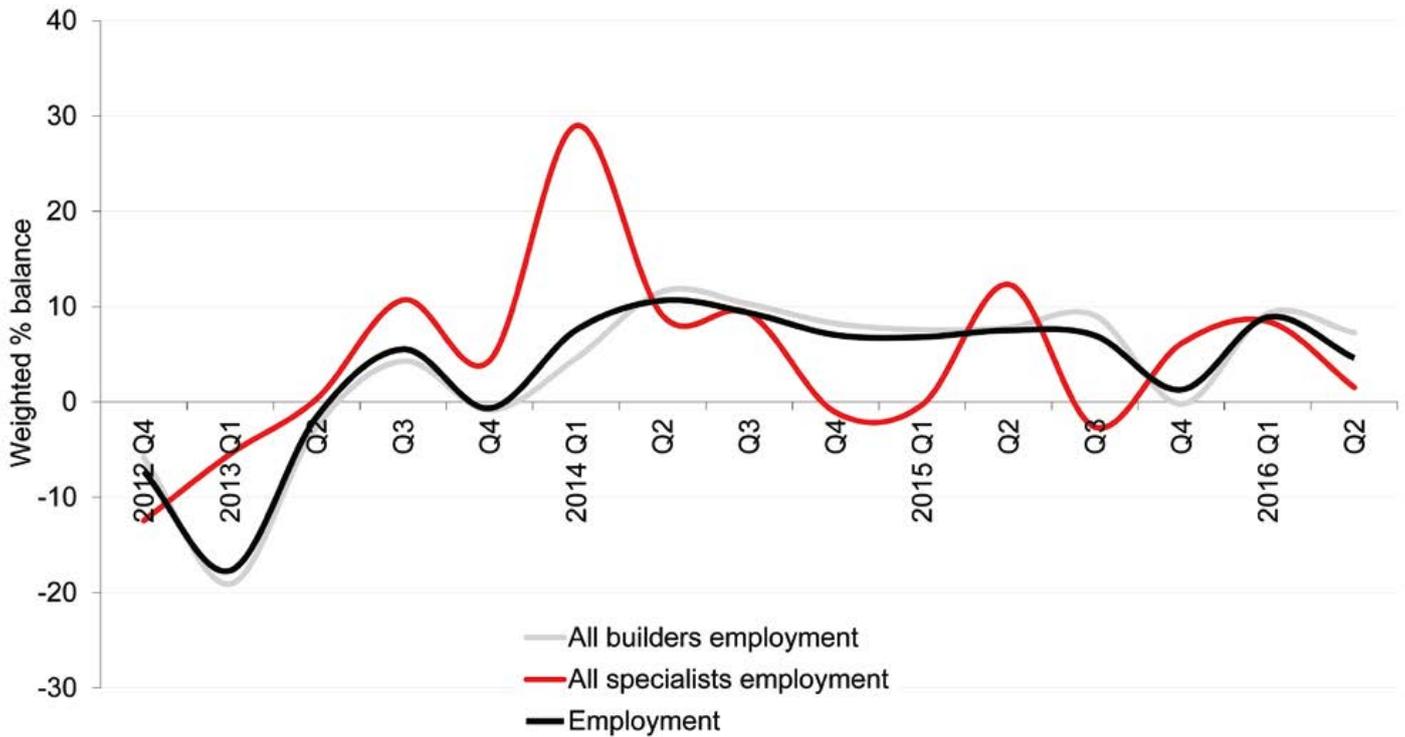
The all builders' expected employment net balance dropped by 9 percentage points to +17. A fifth of respondents reported a positive outlook, a fall from 30% three months earlier. However, the majority of firms (77%) predict no change in their labour force.

The specialists' expected employment net balance was unchanged at +14. Approximately 18% of respondents forecast a rising workforce, down on the 21% posted three months earlier, while just 3% of firms predict a fall in their workforce, down from 6%.



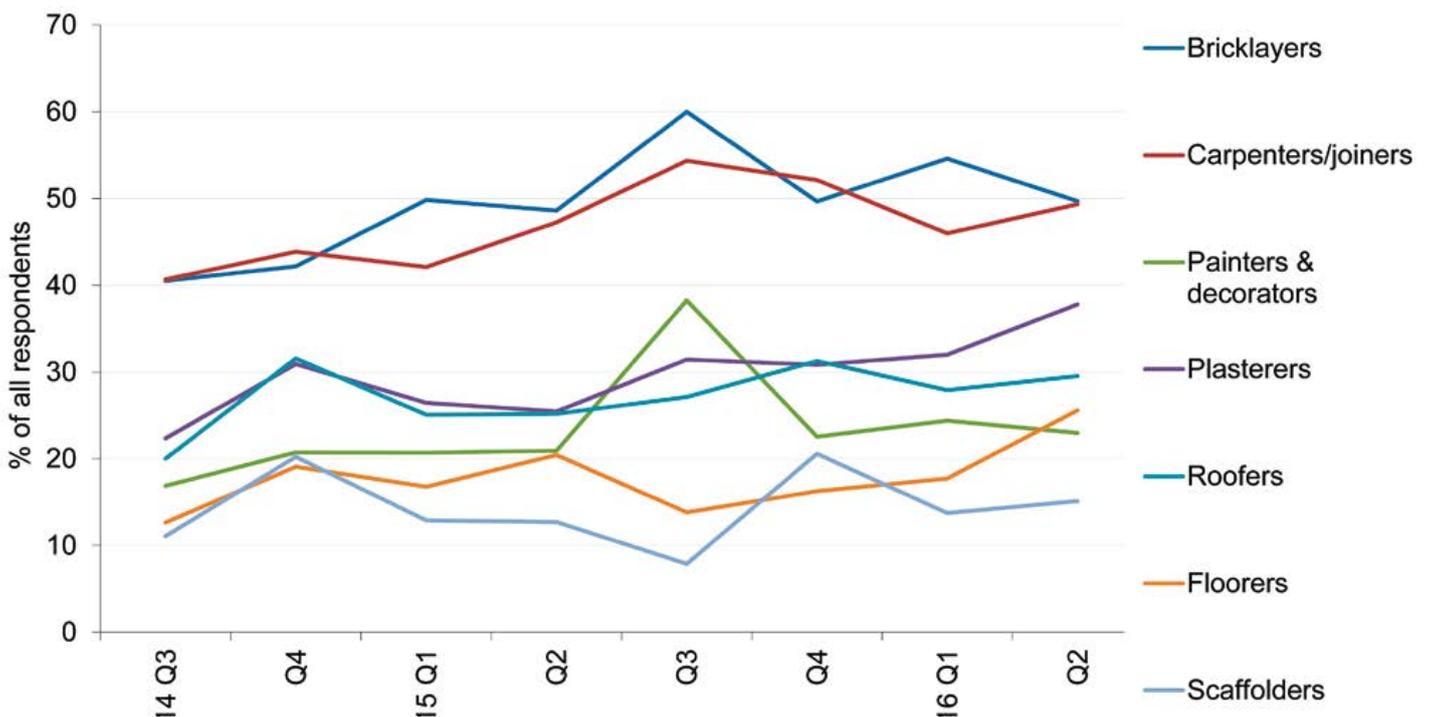
Employment and labour

Employment weighted % balance chart



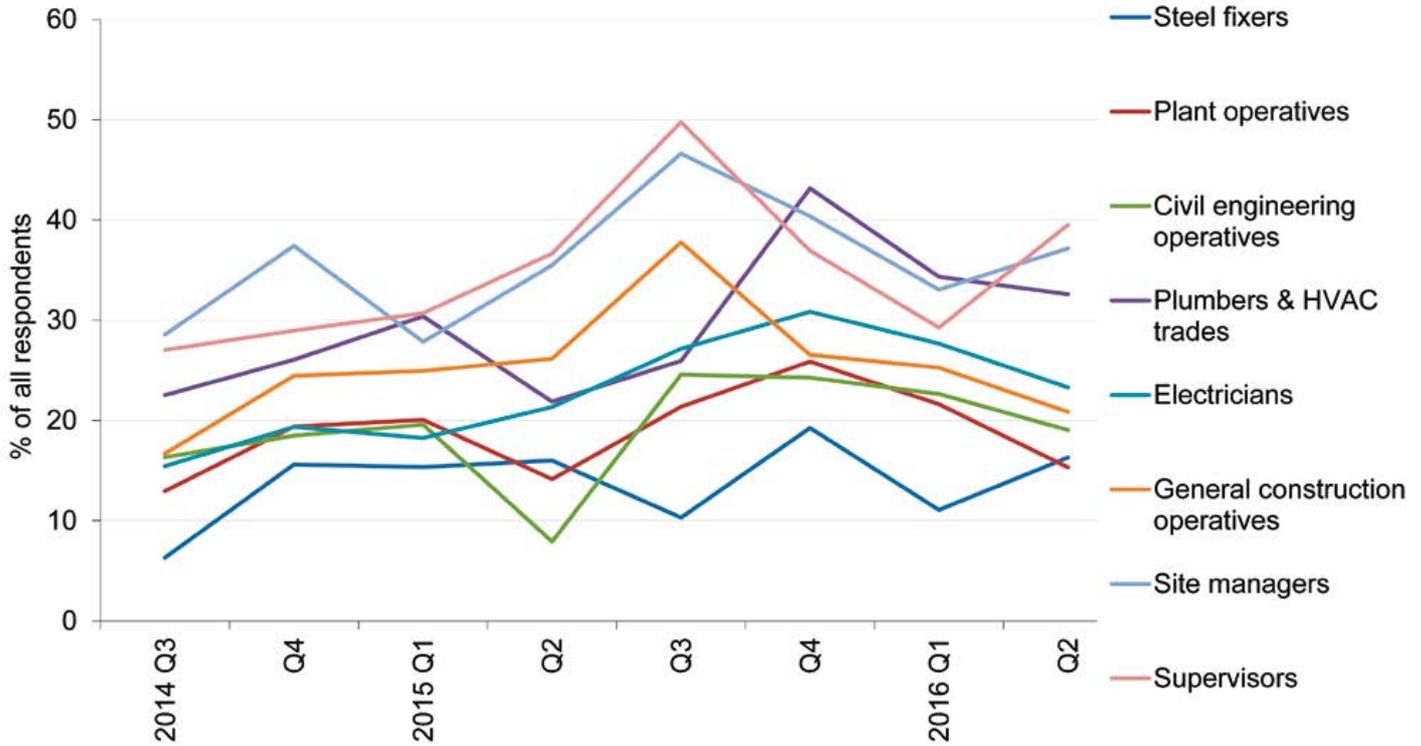
Bricklayers were the most difficult to recruit in Q2 2016. Carpenters/joiners, supervisors, and plasterers were also hard to come by. In contrast, businesses found scaffolders and plant operatives the easiest to hire.

% of respondents reporting difficulty recruiting selected skills chart 1



Employment and labour

% of respondents reporting difficulty recruiting selected skills chart 2



Trades	% reporting difficulty							
	2014 Q3	Q4	2015 Q1	Q2	Q3	Q4	2016 Q1	Q2
Bricklayers	41	42	50	49	60	50	55	50
Carpenters/joiners	41	44	42	47	54	52	46	49
Painters & decorators	17	21	21	21	38	23	24	23
Plasterers	22	31	26	25	31	31	32	38
Roofers	20	32	25	25	27	31	28	30
Floorers	13	19	17	20	14	16	18	26
Scaffolders	11	20	13	13	8	21	14	15
Steel fixers	6	16	15	16	10	19	11	16
Plant operatives	13	19	20	14	21	26	22	15
Civil engineering operatives	16	18	20	8	25	24	23	19
Plumbers & HVAC trades	23	26	30	22	26	43	34	33
Electricians	15	19	18	21	27	31	28	23
General construction operatives	17	24	25	26	38	27	25	21
Site managers	29	37	28	35	47	40	33	37
Supervisors	27	29	31	37	50	37	29	40



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 edged down by 1 percentage point to +14, remaining in positive territory for the thirteenth successive quarter. The proportion of weighted responses which were negative fell to 12% from 14%, while just over a quarter (26%) of weighted responses were positive, down from the 29% registered in the previous quarter. The bulk of weighted responses (62%) were neutral, up from 57%.

A jump of 15 percentage points took **Scotland's** net balance to +21, the highest reading since Q4 2007. Around 12% of weighted responses were negative, down from 20%, while the share of weighted responses which were positive went up to 33% from 26%. The majority of weighted responses (55%) were neutral, marginally up on the 54% recorded in the previous quarter.

Despite falling by 4 percentage points to +12, the net balance for **England** remained in positive territory for the thirteenth successive quarter. The share of weighted responses which were positive went down to 25% from 29%, while those which were negative were unchanged at 13%. Over half of weighted responses (62%) were neutral, up from 58%.

Northern Ireland's net balance decreased by 7 percentage points to +27. Around 30% of weighted responses were positive, down from 38%, while the share of weighted responses which were negative fell to just 3%, edging down from 4% in Q1 2016. Just over two thirds (67%) of weighted responses were neutral, up on 58%.

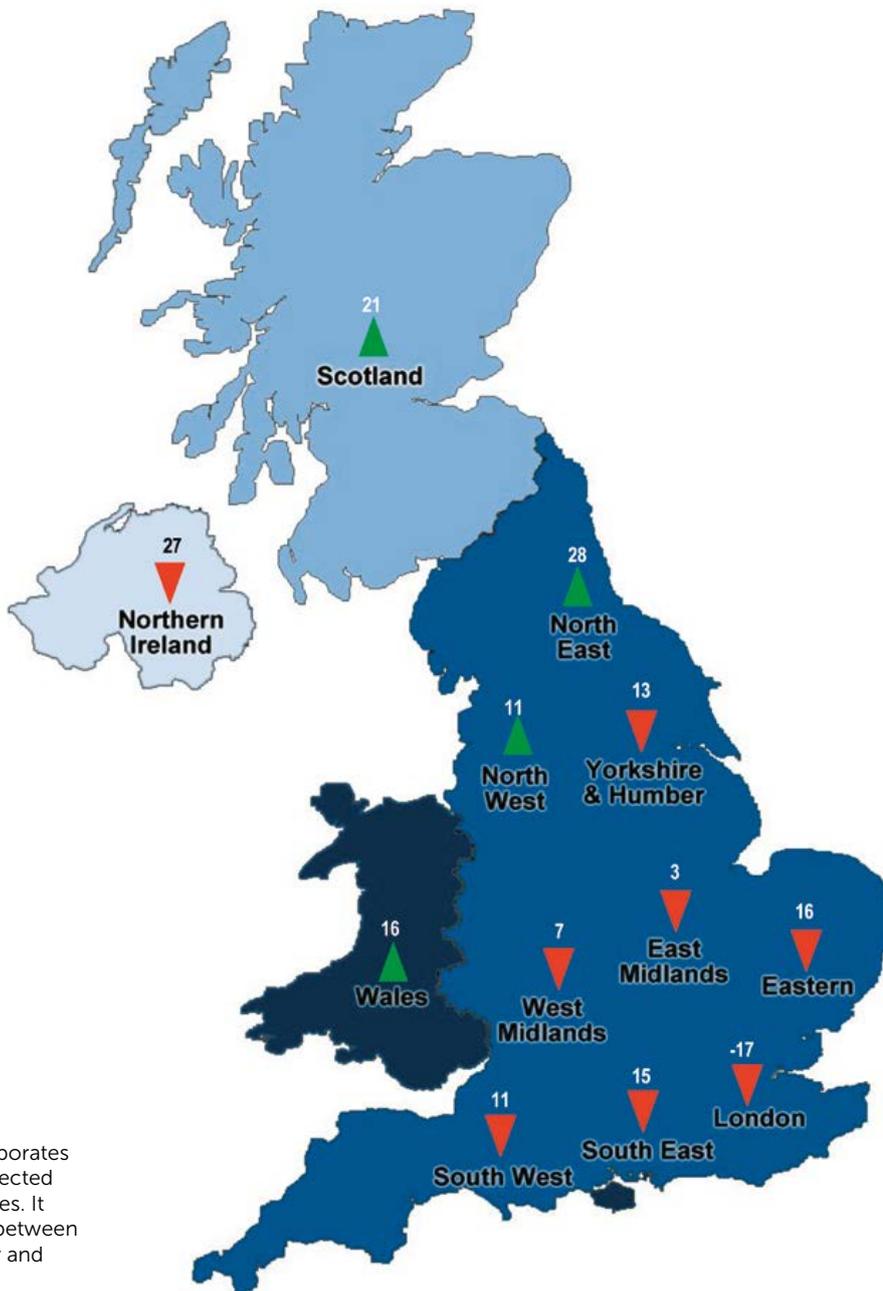
Wales's net balance moved back into positive territory as it bounced back by 22 percentage points to +16. The proportion of weighted responses which were negative fell to 10% from 23%, while those weighted responses which were positive increased, to 26% from 17%. At 64%, the majority of weighted responses were neutral, up from the 60% registered in the previous quarter.

	2014 Q3	Q4	2015 Q1	Q2	Q3	Q4	2016 Q1	Q2
England	+28	+10	+20	+22	+17	+5	+16	+12
Northern Ireland	+15	-12	+5	+28	+35	+18	+34	+27
Scotland	-5	+4	+4	+14	+14	-13	+6	+21
Wales	+28	+15	+26	+16	+9	+7	-6	+16
UK	+24	+8	+18	+21	+17	+4	+15	+14



Regional perspective

	<i>Weighted % balances</i>							
	2014 Q3	Q4	2015 Q1	Q2	Q3	Q4	2016 Q1	Q2
East Midlands	+22	-6	+13	+27	+32	+19	+4	+3
Eastern	+25	+8	+28	+38	+9	-9	+18	+16
London	+57	+24	+34	+4	+27	+24	+25	-17
North East	+8	-13	-2	-2	+3	+2	+22	+28
North West	+15	+7	+17	+13	+7	+3	-2	+11
South East	+36	+11	+22	+30	+16	+10	+17	+15
South West	+31	+29	+18	+26	+8	-10	+19	+11
West Midlands	+29	+6	+18	+30	+40	-1	+9	+7
Yorks & Humber	+47	+8	+38	+16	+38	+13	+26	+13



The net balance incorporates recent workloads, expected workloads and enquiries. It shows the difference between those reporting higher and those reporting lower.



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ABOUT THE FEDERATION OF MASTER BUILDERS (FMB) AND THE STATE OF TRADE SURVEY

For more than 20 years the 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 survey is dispatched to a rolling stratified sample of 2,000 FMB members each quarter. More than 300 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 construction industry. Established in 1941 to protect the interests of SME construction 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 Sarah McMonagle at the Federation of Master Builders via **020 7025 2947** or SarahMcMonagle@fmb.org.uk.

