

Build UK State of Trade Survey

Q4 2015

Executive Summary

The first Build UK State of Trade survey has revealed a positive but stabilising picture of the prospects for Contractors. Whilst the level of enquiries remained relatively flat and output rose only slightly in the last quarter of 2015, the outlook for the industry is still comfortably above that of a year ago.

The survey which was undertaken with Glenigan shows that Contractors are generally nearing full capacity with three quarters operating at over 75% of their capacity and almost half operating at over 90%. This strain on capacity is more marked on the labour than the material side. Management skills are being particularly sought after, with professional/technical staff and supervisors being the most difficult to recruit during the last quarter. The main reasons stated for difficulty in filling vacancies was the low number of applicants with the required skills (62%), a lack of required experience (54%) and a lack of required qualifications (48%).

This is having an impact on the costs of labour with 45% reporting an increase in labour costs compared to the previous quarter and 60% reporting a rise since this time last year. These difficulties in recruiting the right skills is also affecting Contractors' business performance. 16% reported that labour shortages had resulted in late completion of work and 12% had been unable to bid for work during the last quarter.

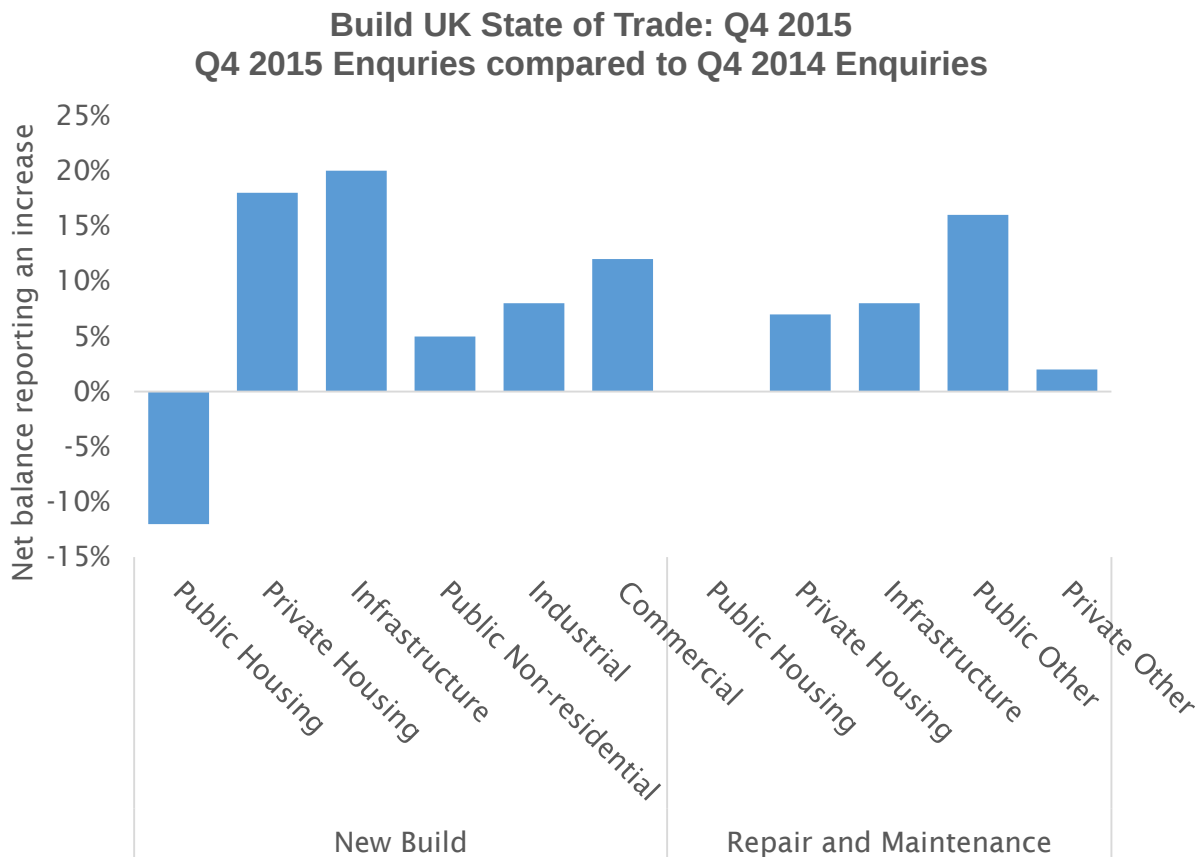
Contractors remain positive about their future prospects over the next year even though they were expecting this quarter to remain relatively subdued. Whilst the majority expect workloads to remain the same this quarter, 56% are expecting growth in the next 12 months. The issue which is causing concern for Contractors in the long term is insufficient demand.

When it comes to payment, over half of Contractors reported waiting at least 46 days on average, despite only 15% having average contract terms of 46 days or more.

Enquiries

25% of Contractors reported an increase in enquiries compared to the previous quarter, but an equal proportion (25%) reported a decrease, giving a net balance of 0 points.

Compared to Q4 2014, an average of 36% of respondents reported an increase compared to 16% reporting a decline, giving a balance of 20 points.



Output

36% of Contractors reported an increase in output compared to the previous quarter with 31% recording a decline, giving a net balance of 5 points.

Compared to Q4 2014, the rise in output was more marked. 45% of contractors reported a rise compared to 15% recording a decline, giving a balance of 30 points.

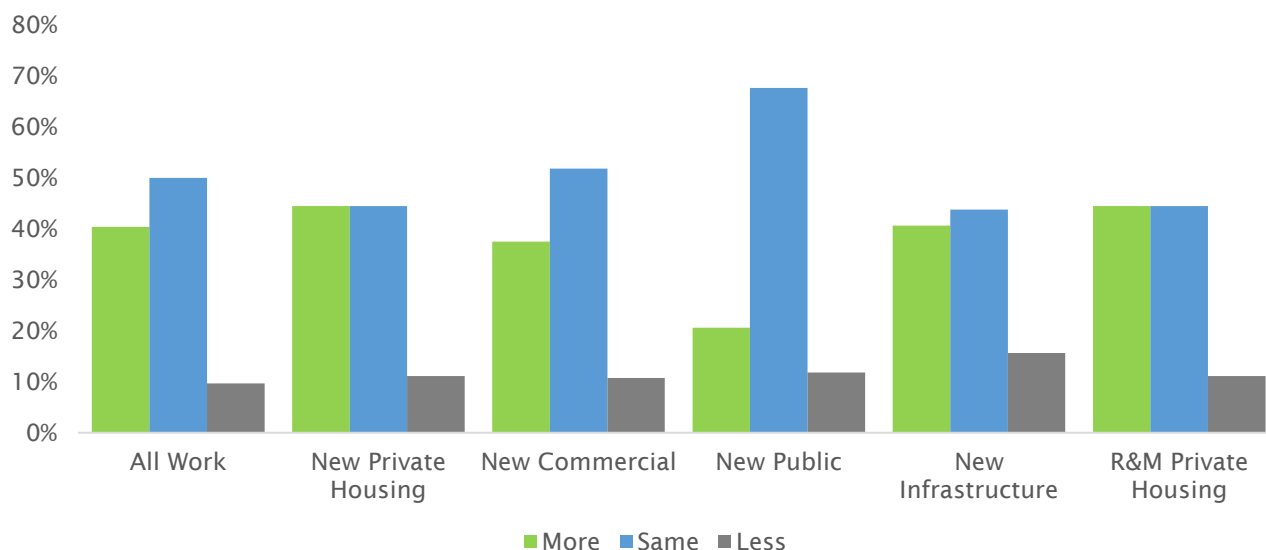
Work in Hand

29% of Contractors reported their work in hand being higher than normal compared to 18% who reported less work in hand, giving an overall balance of 11 points.

Anticipated workload

40% of contractors expect workloads to rise over the next quarter with only 10% expecting a decline, resulting in a balance of 30 points. 56% of contractors expect workloads to rise over the next year, compared to just 9% expected a decline, giving a positive balance of 47 points.

Build UK State of Trade: Q4 2015 Expected Output Changes over the next 12 Months



Recruitment

Professional/technical employees and supervisors were identified as either 'difficult' or 'very difficult' to recruit by the highest proportion of firms during the last quarter.

Bricklayers and steel fixers were also amongst the most difficult to recruit, followed by steel erectors, mechanic/fitters and pilers.

Contractors encountered fewer difficulties recruiting general labourers, scaffolders, sealant applicators and plasterers.

The main reasons for difficulty in filling vacancies was the low number of applicants with the required skills (62%), a lack of required experience (54%) and a lack of required qualifications (48%).

Capacity, Costs and Prices

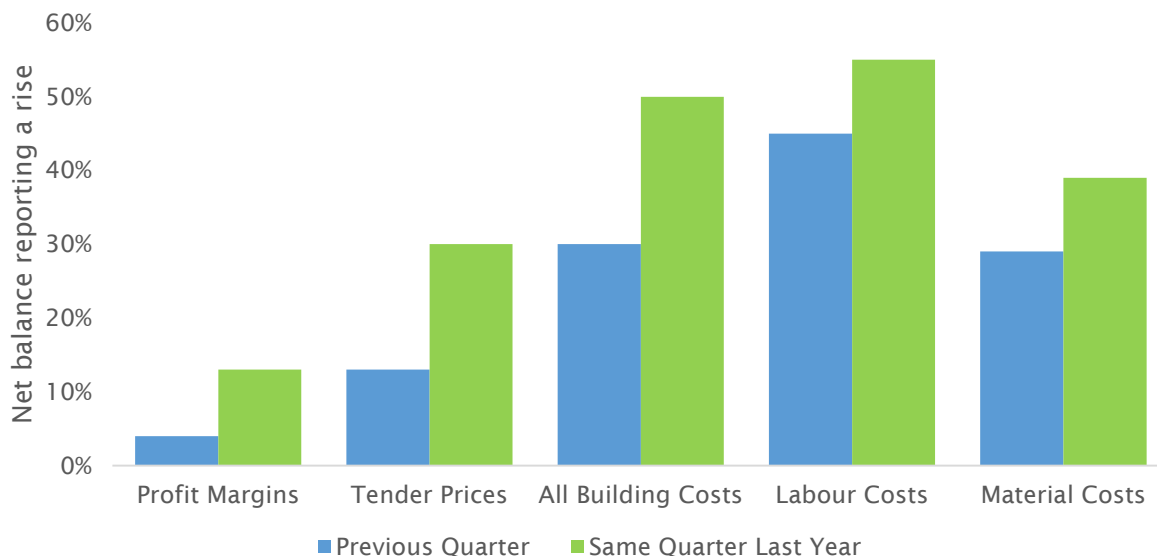
Contractors are, for the most part, nearing full capacity. 75% of respondents are operating above 75% capacity, and 43% are operating at over 90% capacity. Contractors have been similarly busy when looking at the last 12 month period.

On balance, slightly more contractors have seen their profit margins rise rather than fall. Compared to the previous quarter, 24% saw margins rise compared to 20% who saw them fall giving an overall balance of 4 points. Against a year ago, 38% reported a rise compared to 25% reporting a fall, resulting in a balance of 13 points

13% of respondents experienced a rise in Tender Prices compared to the previous quarter, and 30% saw a rise since the same quarter last year.

Over the last quarter, more respondents stated that labour costs had risen (45%) than reported rising material costs (29%). Overall, 30% of contractors reported a rise in all building costs over the last quarter. The majority (58%) said they were unchanged, with only a small number of contractors reporting a fall.

Build UK State of Trade: Q4 2015 Costs and Margins



Over the last year, contractors were evenly split between rising or stable costs. 51% of contractors indicated a rise in costs, whereas 48% stated they had stayed the same.

Labour costs were judged to have risen by 60% of respondents over the previous year. 35% said they remained unchanged, while just 5% found they had fallen. Material costs tracked the change in overall building costs, with 48% reporting a rise, 43% stated they had stayed unchanged, and 9% reported a fall.

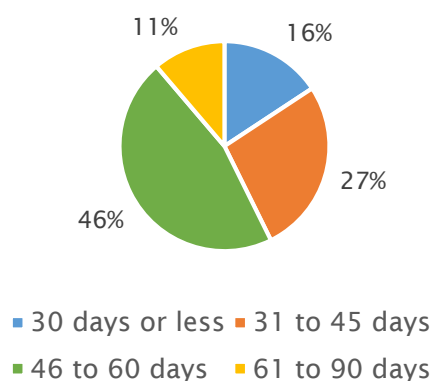
Payments and Disputes

46% of Contractors waited between 46 and 60 days on average to receive payment, and 11% waited between 61 and 90 days. This is despite only 15% having average contract terms which included payment periods of 46 days or more.

16% of Contractors reported that on average they receive payment within 30 days, and 27% said they usually received payment between 31 and 45 days.

A third of Contractors had been involved in a contract dispute during the last quarter. The most common cause of disputes was payment (36%), followed by delays (25%) and variations (14%).

Build UK State of Trade: Q4 2015 Payment Periods Experienced from Clients



Build UK State of Trade: Q4 2015 Actual payment periods to Own Supply Chain

