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FEDERATION OF MASTER BUILDERS
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The SME State of Trade Survey

The first half of 2026

BarbourABI
ADVANCED BUILT ENVIRONMENT INTELLIGENCE


LOFTHOUSE
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BUILDERS

State of Trade Survey H1 2026

This is the Federation of Master Builders (FMB) and Chartered Institute of Building (CIOB) State of Trade Survey. The two organisations have joined together to deliver a report that captures the state of the market, with a focus on SMEs, which comprise the vast majority of the construction industry. For the first time the survey was conducted by Barbour ABI.

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 from January to June 2026. It casts ahead to July to December 2026.

A total of 416 responses were received.


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Summary of Data

Key performance indicators: The net balance for workloads was -4%, compared with -10% for enquiries and -4% for employment, indicating that slightly more businesses reported declining activity during the first half of 2026.

Key indicators in the UK nations: Workload performance varied across the UK nations. Scotland recorded the strongest net workload balance (+31%), followed by Wales (+14%), while England returned a negative net balance (-9%).



Scotland recorded the strongest net workload balance

Workload and enquiries by sector: Around three in ten businesses operating in house building and repair, maintenance and improvement (RMI) reported increased workloads during the first half of 2026. Enquiries increased for 28% of businesses in RMI and 21% of those operating in house building.

The difficulty of recruiting staff: Recruitment challenges remained widespread across the sector. Among businesses attempting to recruit, site managers (62%), bricklayers (80%), carpenters & joiners (79%), roofers (72%) and plumbers & HVAC trades (69%) were among the most difficult roles to fill.

Impact of a lack of skilled tradespeople: Skills shortages continued to affect the sector, with 68% of businesses reporting some impact. Almost half (47%) said shortages had delayed jobs, while 29% reported restrictions on recruiting new staff. One in five (21%) said shortages had led to jobs being cancelled and 18% reported that shortages had prevented business growth or expansion.



Skills shortages continued to affect the sector, with 68% of businesses reporting some impact

Job delays: Delays in the planning process were the most reported cause of project delays (31%), followed by market uncertainty (27%) and extreme weather events (20%). Delays to materials or equipment (19%), changing project parameters (18%) and changing regulations (15%) were also frequently cited.



Delays in the planning process were the most reported cause of project delays

Prices and costs: Cost pressures remained widespread across the industry. Materials costs were the most commonly reported area of cost increase (75%), followed by transport and fuel costs (66%), energy and utility costs (62%), and subcontractor costs (57%). Businesses also reported increases in wages and salaries (45%) and the prices charged for work (43%).



Transport and fuel costs were the most commonly reported area of cost increase

Impact of cost increases: Increased outgoing costs continued to affect business performance. Almost half of businesses (48%) reported increasing the prices charged for work, while a similar proportion (47%) said profits were lower than expected or that the business had made a loss. Rising costs also constrained business activity, with 29% restricting recruitment plans and 22% reporting that planned investment or business growth had been constrained. Around one in six (16%) said that cost pressures had resulted in redundancies or contract terminations.



Increased outgoing costs continued to affect business performance

AI adoption: More than half of respondents (57%) reported using AI technologies more than they had a year earlier, while 22% reported not using AI technologies at all.



More than half of respondents (57%) reported using AI technologies

Extreme weather: One in five businesses (20%) reported project or job delays linked to extreme weather events, including heatwaves and rainfall, during the first half of 2026, placing weather-related disruption among the leading causes of delay.



Weather-related disruption was among the leading causes of delay

Business outlook for H2 2026: Looking ahead to the end of 2026, under half of businesses (39%) have a positive outlook, while 32% are neutral and 23% are negative about their prospects. Despite confidence weakening compared with previous waves, the industry continues to report a positive net outlook balance of +16%, indicating that optimistic businesses still outnumber pessimistic businesses.



Looking ahead to the end of 2026, under half of businesses (39%) have a positive outlook

Key indicators

Construction Industry Outlook: Q1 and Q2 2026 (H1 2026)

The first half of 2026 presented a mixed picture for the construction industry. While increases in workloads, enquiries and employment were reported by a notable proportion of businesses, the findings also indicate that growth remains uneven across the sector.

Workload: The net balance for total workload fell to -4% in H1 2026, compared with +22% in H2 2025 and +25% in H1 2025, indicating that slightly more businesses experienced declining workloads than increasing.

Employment: Employment also weakened, with the net balance declining to -4% in H1 2026, down from +17% in H2 2025 and +26% in H1 2025. Despite one-quarter of businesses reporting workforce growth, more companies reported reductions in staffing levels, resulting in a negative net employment balance.

Enquiries: Demand conditions softened further, with the net balance for enquiries falling to -10% in H1 2026, compared with +18% in H2 2025 and +34% in H1 2025. This represents the weakest of the three headline indicators and suggests a reduction in the pipeline of future work across the sector.

Key indicator total



Graph 1 – Q3. Looking back, how did your company's overall workload during January to June 2026 compare with July to December 2025? (n=340). Q8. Thinking about enquiries for work, how did the number of enquiries received in January to June 2026 compare with July to December 2025? (n=297). Q10. Compared with July to December 2025, how would you describe the size of your company's workforce in January to June 2026? (n=296) Net balance of change.



Workload and enquiries by sector

In the first half of 2026, the construction sector experienced a weakening in activity levels, with all three headline indicators moving into negative territory. While a notable proportion of businesses continued to report increases in workload, enquiries and employment, more businesses reported declines than improvements, resulting in negative net balances across all measures.

Workload by sector

Performance varied across the workload of major construction sectors. House building reported the weakest result, with a net workload balance of -12%, compared with +23% in H2 2025. Repair, maintenance and improvement activity also moved into negative territory, recording a net balance of -3%, down from +26% in the previous wave.

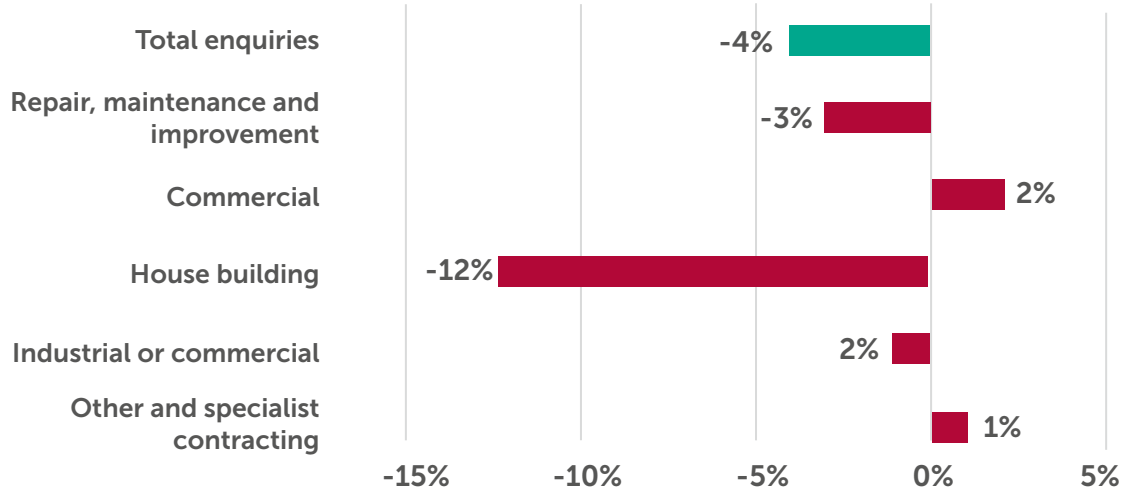
By contrast, activity remained broadly stable within the industrial and commercial sector, which returned a marginally positive net balance of +1%, although this was considerably lower than the +11% recorded in H2 2025. The specialist contracting sector also recorded a net balance of +1%, down from +10% previously. Overall, the results indicate that the slowdown was widespread across the industry, although some sectors proved more resilient than others.

A two-speed construction market is emerging

While activity weakened overall during H1 2026, performance varied considerably across sectors and regions. House building recorded the sharpest decline in workloads, whereas industrial, commercial and specialist contracting activity remained broadly stable. This suggests that opportunities continue to exist within the market, but growth is increasingly concentrated in specific areas of the construction sector.

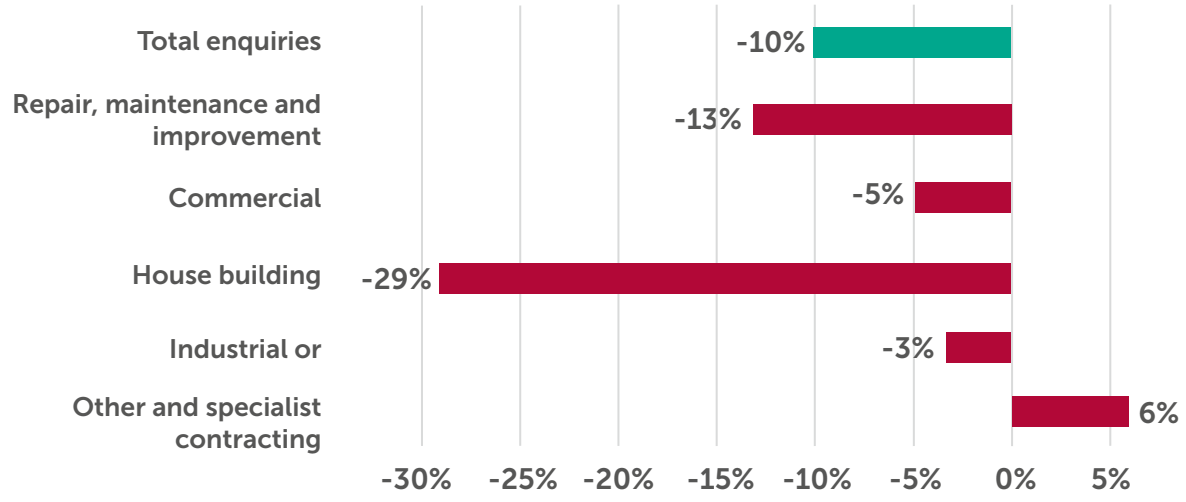


Workload by sector



Graph 2 – Q4. How did your company's workload during January to June 2026 compare with July to December 2025 in each sector? Base: Total workload (n= 340) House building (n=178); Repair, maintenance and improvement (n=203); Industrial (n=133); Commercial (n=199); Specialist contracting (n=144). Excluding N/A's.

Enquiries by sector



Graph 3 – Q9. Please tell us about the number of enquiries received for work across the specific sectors you work in? Base: Total ENQUIRIES (n= 297) House building (n=151); Repair, maintenance and improvement (n=190); Industrial (n=118); Commercial (n=179); Specialist contracting (n=122). Excluding N/A's.

Type of activity by sector

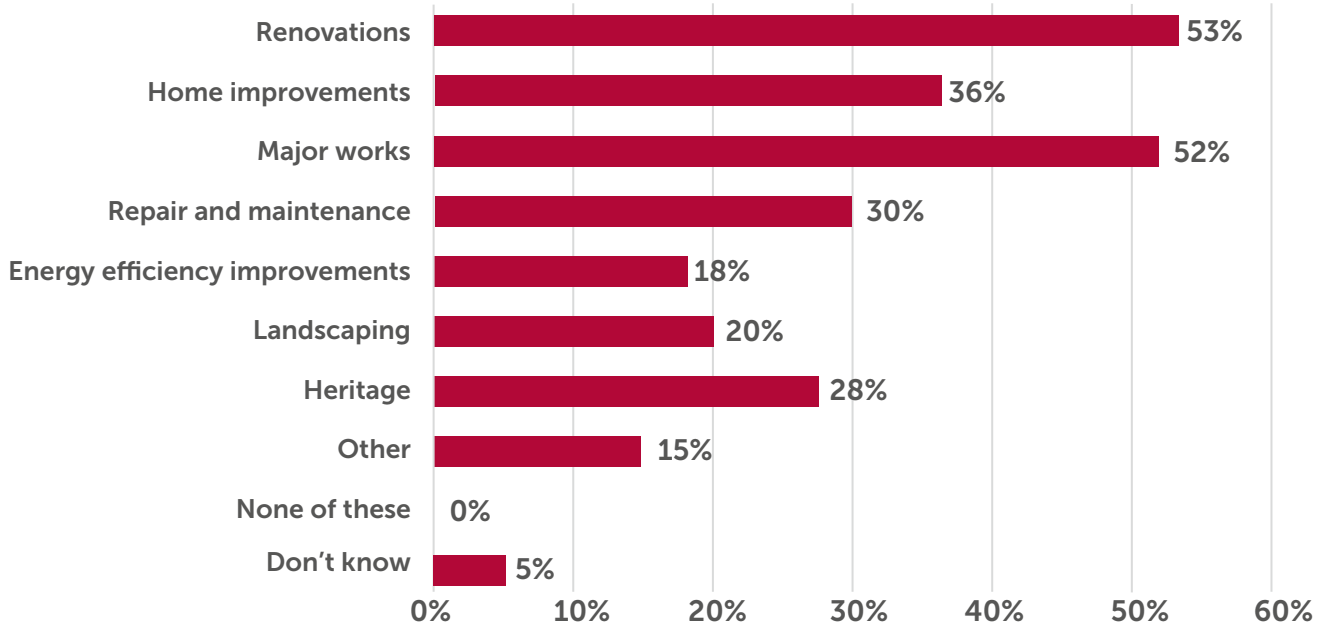
Renovation, major works, and home improvement were the three most common types of work delivered by respondents during H1 2026. Compared with H2 2025, renovation and major works remained among the most prevalent activities, although the overall mix of work undertaken became more varied.

Renovation was the most common activity, with 53% of respondents reporting involvement, closely followed by major works (52%). Home improvements ranked third, reported by 36% of respondents. These activities continued to form the core of work undertaken by businesses operating in the repair, maintenance and improvement market.

Other commonly reported types of work included repair and maintenance (30%), heritage projects (28%), landscaping (20%), and energy efficiency improvements (18%). While these activities were reported by a smaller proportion of businesses, they continue to represent important areas of work across the sector.

Base: Respondents answering the activity question (n=217).

Types of repairs, maintenance and improvement works that has been delivered in the period of July to December 2025



Q6. Which of the following repair, maintenance and improvement works has your company delivered for existing domestic dwellings in the period of January to June 2026? Renovations (n=114); Major works (n=112); Home improvements (n=79); Repair, maintenance and improvement (n=66); Heritage (n=61); Landscaping (n=43); Energy efficiency improvements (n=40); Other (n=32); Don't know (n=10). Base: All working in the RMI sector (n=217).


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Employment and skills shortages

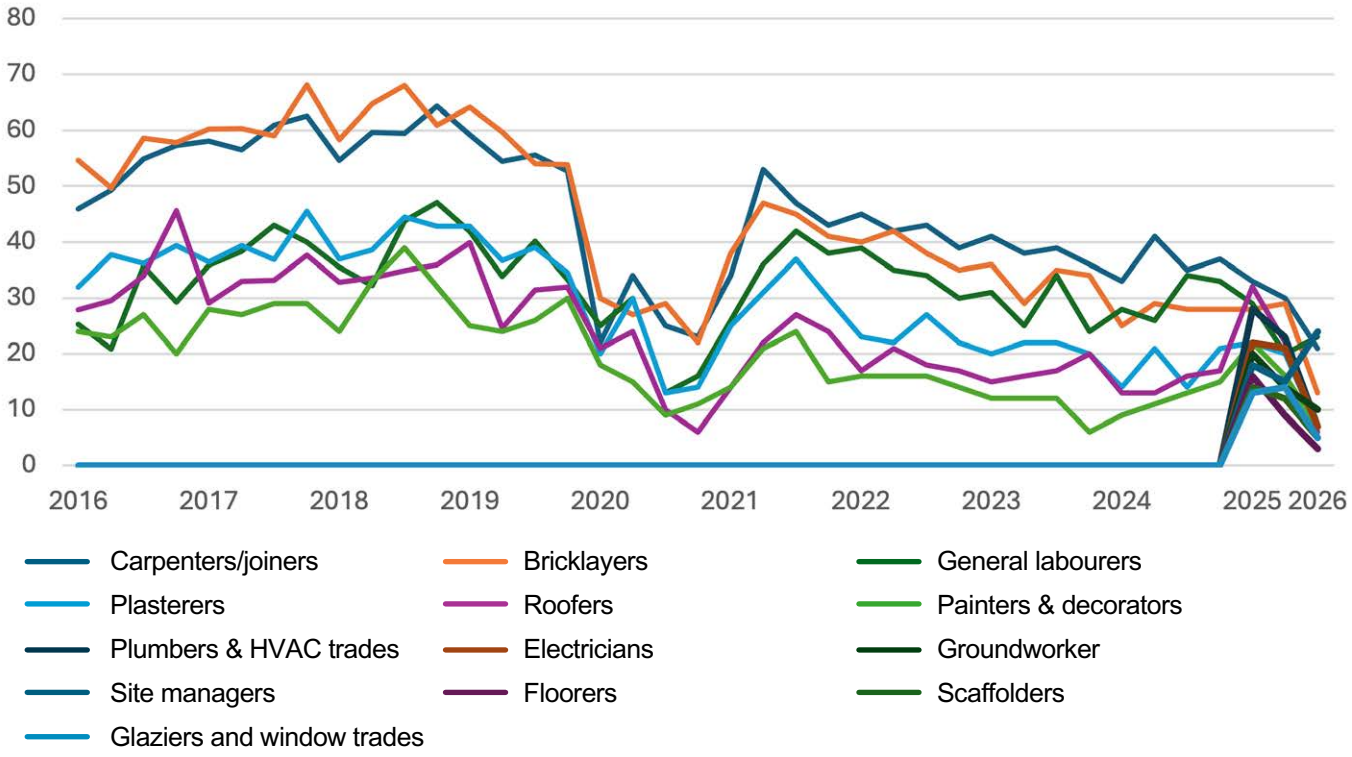
In H1 2026, 46% of respondents reported no change in their company's workforce size, broadly consistent with H1 and H2 2025 One-quarter of businesses (25%) reported an increase in employment, while 29% reported a decrease, resulting in a negative net employment balance for the period.

Despite weaker workloads and enquiries, nearly half of businesses reported no change in workforce size during the first half of 2026. This may indicate that employers remain cautious about reducing headcount, particularly given the ongoing difficulty of recruiting skilled workers and specialist staff. While recruitment challenges continue across a range of occupations, the most acute shortages are now concentrated among management and labouring roles rather than traditional skilled trades.

- Site managers were reported as the most difficult role to recruit, with 72 respondents identifying difficulties in recruitment. Among those attempting to recruit, almost two-thirds (61%) described recruitment as difficult.
- General labourers were the second most difficult role to recruit, with 69 respondents reporting recruitment challenges. Around half (48%) of those recruiting for these positions found them difficult to fill.
- Carpenters/joiners remain among the most challenging trades to recruit, with 63 respondents reporting difficulties and more than four-fifths (79%) of those recruiting for the role describing recruitment as difficult.
- Other occupations where recruitment was commonly reported as difficult included bricklayers, groundworkers, plumbers and HVAC trades, electricians, and roofers.

Overall, the findings indicate that labour shortages remain a significant challenge across the sector, despite weaker market conditions and a slowdown in employment growth during H1 2026.

Difficulty in recruiting for each of the following occupations



Graph 5. Difficulty in recruiting for each of the following occupations. Base: All respondents who answered at least one recruitment difficulty question (n=301). Q11Between January to June 2026, has your company attempted to recruit for any of the following trades or roles?

Difficulties in recruiting key staff

When it comes to recruiting new staff with specialist skills, respondents continued to report challenges in sourcing candidates with the knowledge needed to meet evolving industry requirements. Recruitment difficulties were particularly evident across both managerial and specialist construction occupations.

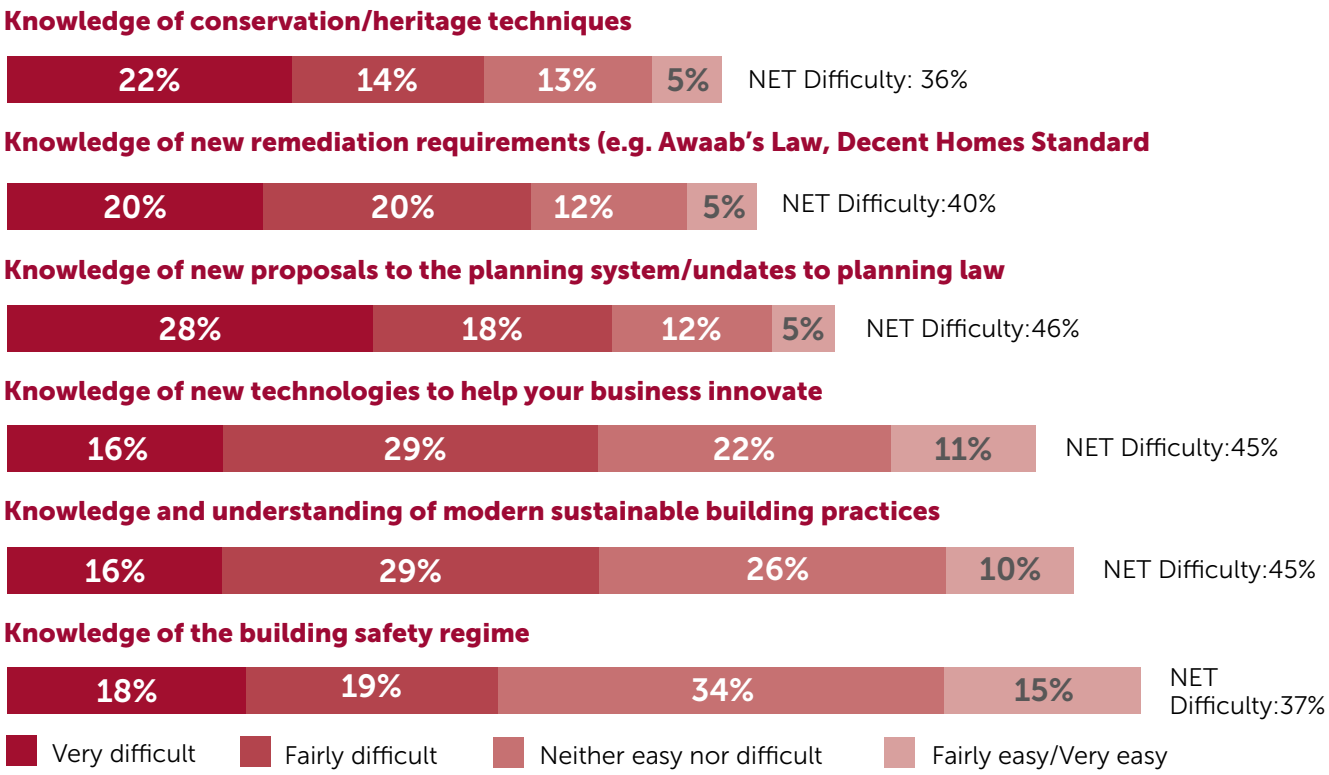
When asked about the specific skills that respondents found difficult to recruit for, recruiting staff with knowledge of new proposals to the planning system/updates to planning law (46%), knowledge of new technologies to help your business innovate (45%) and knowledge and understanding of modern sustainable building practices came out top.

These recruitment pressures underline the importance of preparing the workforce for forthcoming regulatory changes in England. Expertise in modern sustainable building practices will be particularly important as the Future Homes Standard introduces requirements for low-carbon heating and high energy efficiency in new homes from 24 March 2027, subject to transitional provisions and later commencement for relevant higher-risk building work.

Separately, the knowledge of new remediation requirements such as Phase 2 of Awaab's Law was seen by 40% of respondents as either very or fairly difficult to recruit for. Phase 2 of Awaab's Law extends social landlords' duties to address a wider range of significant hazards from 30 November 2026, reinforcing the importance of access to competent inspection and remedial-work teams. With these changes approaching, recruitment and targeted training are pressing priorities for businesses delivering the affected work, although these occupational figures alone do not establish their readiness to comply.

More broadly, the findings highlight that businesses continue to face challenges recruiting workers with both technical trade skills and the specialist knowledge needed to support business growth and project delivery. Despite weaker market conditions during the first half of 2026, labour shortages remain evident across a range of occupations.

The difficulty of recruiting staff with the following skills



Q13. Thinking about your company's recruitment activity between January to June 2026, how easy or difficult was it to recruit staff with the following skills, knowledge or expertise? Base: All respondents answering the skills recruitment questions (n=152).

The impact of a lack of available skilled tradespeople

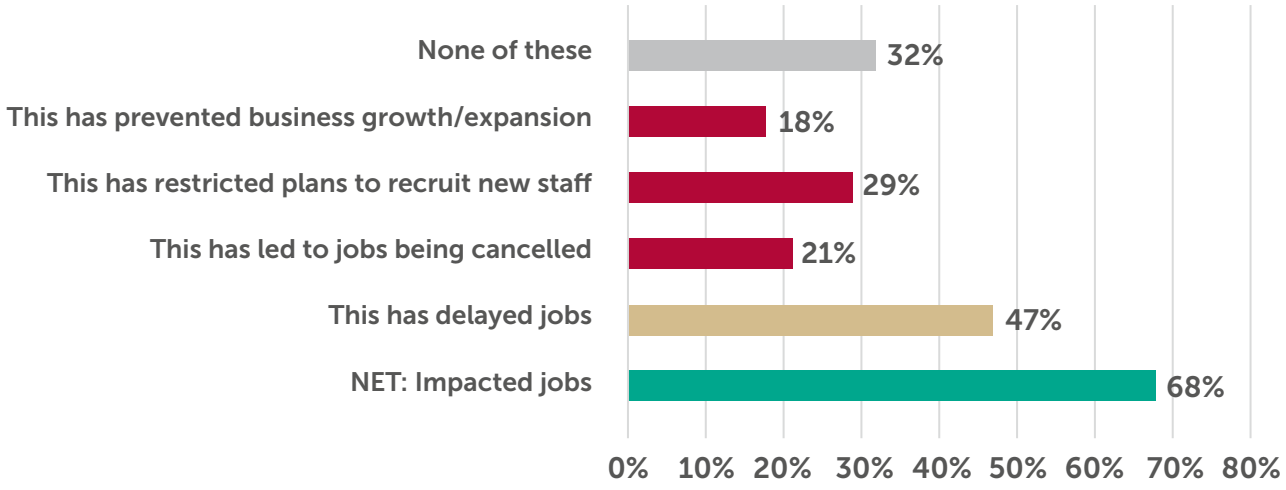
In H1 2026, 68% of respondents reported being affected by a lack of skilled tradespeople, indicating that labour shortages remain a significant challenge across the construction sector.

Almost half (47%) said that shortages had caused job delays, while around one in five (21%) reported that it had led to jobs being cancelled. In addition, 29% said that skills shortages had restricted plans to recruit new staff, and 18% reported that workforce shortages had prevented business growth or expansion.

Despite weaker market conditions during the first half of 2026, the findings suggest that access to skilled labour remains a key constraint on business performance. Just under one-third of respondents (32%) reported that a lack of skilled tradespeople had not affected their business.



The impact of a lack of available skilled tradespeople July to December 2025



Q21. During January to June 2026, how, if at all, did a lack of skilled tradespeople impact your company's work? Base (n=416)

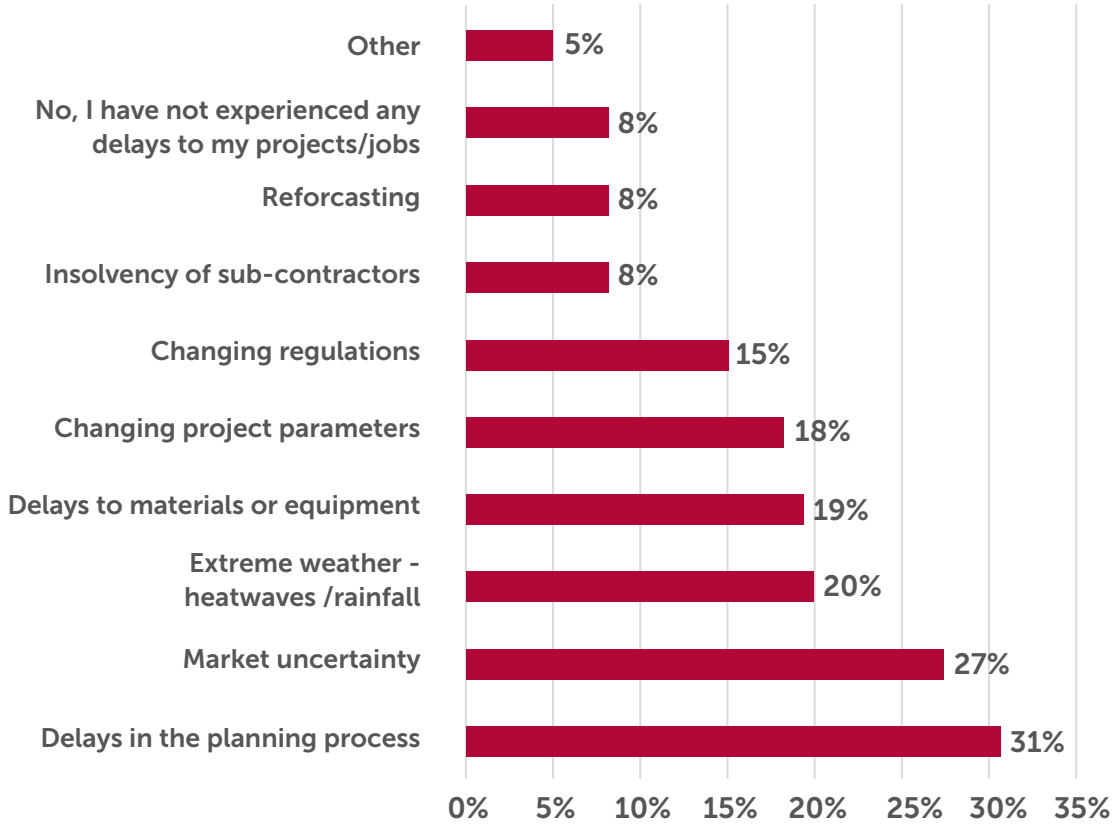
Job delays

In H1 2026, 8% of respondents reported experiencing no delays to their projects or jobs. Among those who did face delays, the most common causes were delays in the planning process (31%), market uncertainty (27%), and extreme weather events (20%). Other contributing factors included delays to materials or equipment (19%), changing project parameters (18%), and changing regulations (15%).

The findings suggest that planning-related issues and wider economic uncertainty continued to be the most significant factors affecting project delivery during H1 2026, while materials and project scope changes also remained important causes of delay.

One in five businesses reported delays linked to heatwaves and/or rainfall during the first half of 2026. While planning processes remained the most common cause of delays, weather-related disruption now ranks alongside more traditional project delivery challenges such as material shortages and changing project requirements.

Causes of delays in jobs



Q23. Between January to June 2026, did you experience any delays to your projects/jobs? If yes, what were the reasons for these delays? Base: All respondents (n=416).

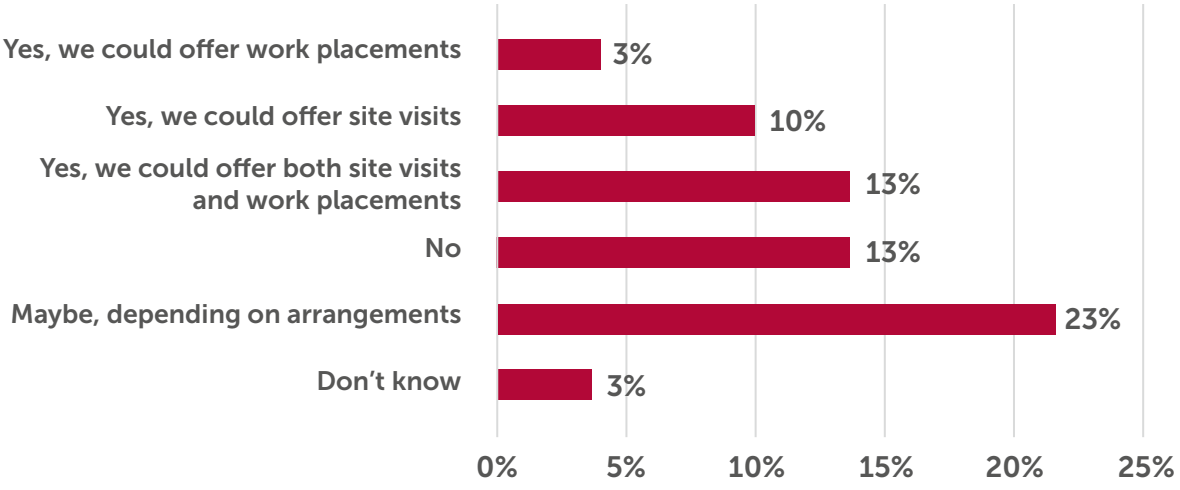
Government action to grow the future workforce

Around one quarter of businesses indicated that they would be willing to support the initiative by hosting site visits and/or work placements for young people aged 14-16. However, a similar proportion stated that participation would depend on the practical arrangements in place, suggesting there is potential appetite from the industry provided concerns around supervision, safeguarding and logistics can be addressed.

Barriers to site visits

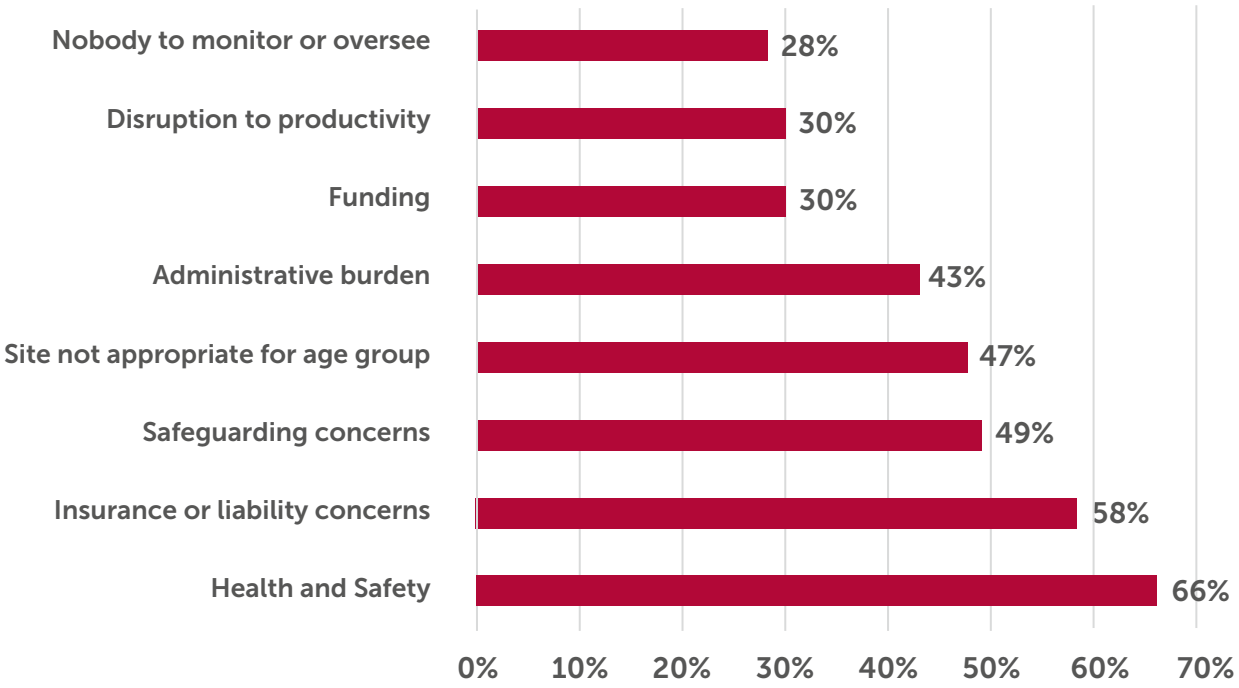
Among organisations identifying barriers to hosting young people aged 14 to 16 for structured site visits or work experience placements, health and safety concerns (66%) were the most commonly cited issue, followed by insurance or liability concerns (58%). Around half highlighted safeguarding concerns (49%) and concerns that their site was not appropriate for this age group (47%). Operational barriers were less prevalent, although over four in ten mentioned administrative burden (43%), while around three in ten cited funding (30%), disruption to productivity (30%), and having nobody available to supervise placements (28%).

Site visits for young people



Q32 Would your organisation consider hosting young people aged 14 to 16 on site for structured site visits or supervised work experience placements as a result of this initiative? (n=416)

Barriers to Site visits



Q43 What barriers or concerns would prevent your organisation from hosting young people aged 14 to 16 for structured site visits or supervised work experience placements? Base: Organisations identifying at least one barrier (n=53).

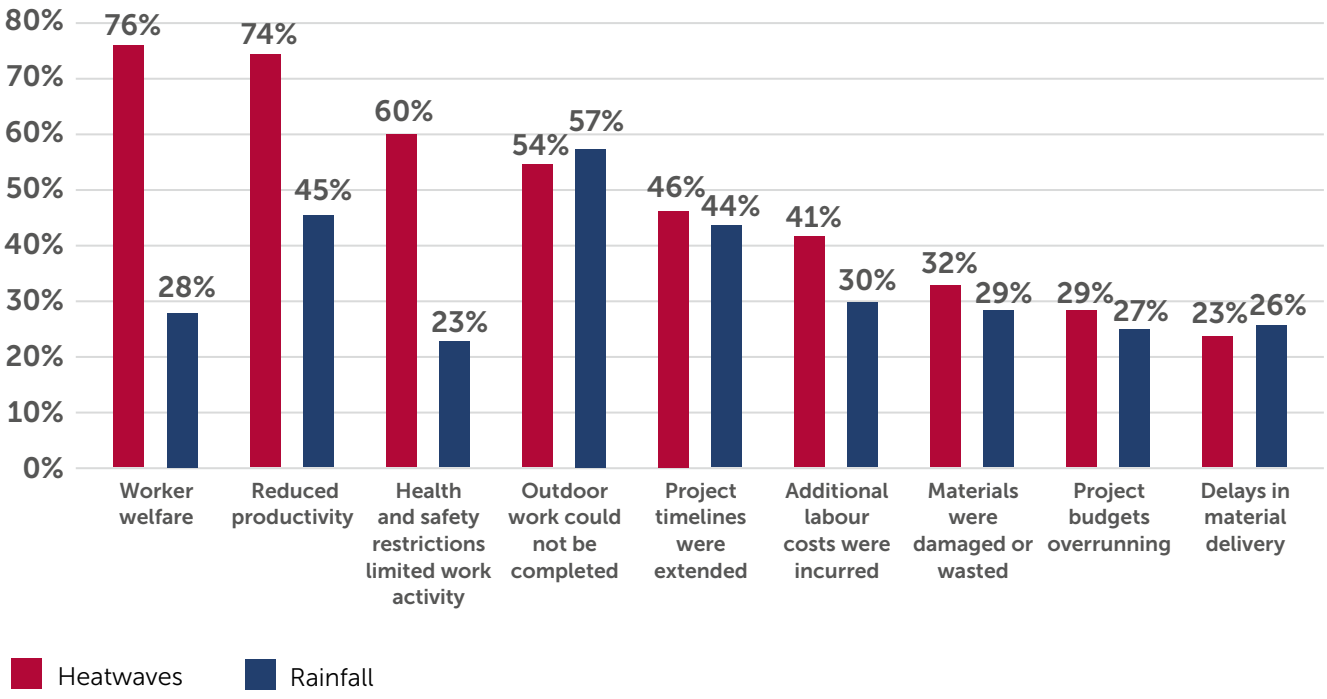


Extreme weather challenges

One in five businesses reported project delays linked to extreme weather. Among businesses experiencing weather-related disruption, the most common impacts were reduced worker welfare (76%), reduced productivity (74%), health and safety restrictions limiting work activity (60%), and the inability to complete outdoor work (54% for heatwaves and 57% for rainfall). Project timelines were also frequently extended, affecting around half of those experiencing weather-related disruption.

While respondents clearly recognised the operational impacts of heatwaves and rainfall when prompted directly, weather was not spontaneously raised alongside cost pressures, skills shortages or market uncertainty in the open-ended comments. This may reflect a form of fading affect bias, where operational disruptions are acknowledged retrospectively when prompted but are less likely to feature in broader reflections on business challenges. The findings suggest that weather-related disruption may be becoming normalised within the sector, despite evidence that it continues to affect productivity, project delivery, health and safety, and workforce welfare.

Impacts attributed to heatwaves and rainfall among businesses affected by extreme weather



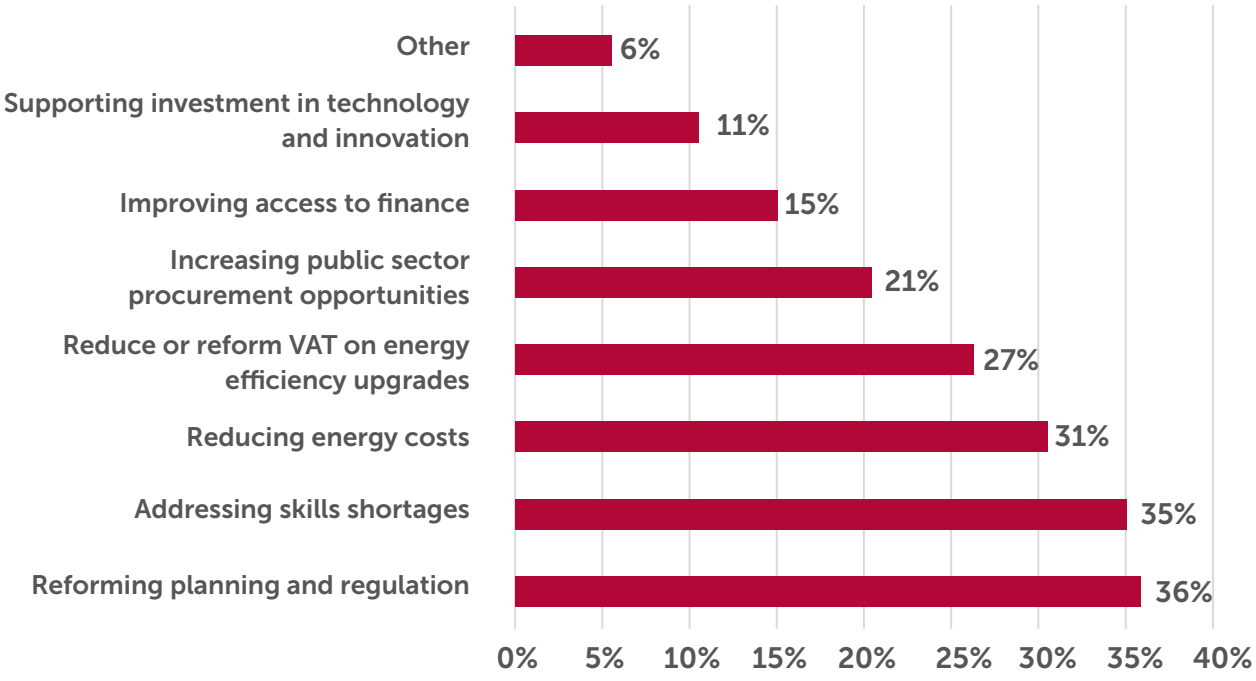
Graph 11 – Q24 What impact, if any, did extreme weather have on your business? For each impact, please tick whether it was caused by heatwaves, rainfall, or both. Businesses reporting weather-related delays (n=82). Respondents selecting both heatwaves and rainfall are included in both columns.

Government priorities

The most commonly cited priorities for government support over the next six months were reforming planning and regulation (36%) and addressing skills shortages (35%), highlighting the importance of tackling structural and workforce-related challenges facing businesses. Around three in ten respondents identified reducing energy costs (31%) as a priority, while over a quarter supported reducing or reforming VAT on energy efficiency upgrades (27%). Fewer businesses prioritised increasing public sector procurement opportunities (21%), improving access to finance (15%), or supporting investment in technology and innovation (11%).

From a research perspective, the story here is that businesses are prioritising policy and operating environment issues (planning, regulation, skills, energy costs) ahead of direct business support measures such as access to finance or innovation funding. That suggests respondents are looking for government action to remove barriers to growth rather than provide additional intervention or incentives.

Governments Priorities



Graph 19 – Participants were asked to select up to three Government interventions that should be prioritised to support construction businesses over the next six months.Q27 What should be the Government's top priorities for supporting your business over the next 6 months? (n=416)

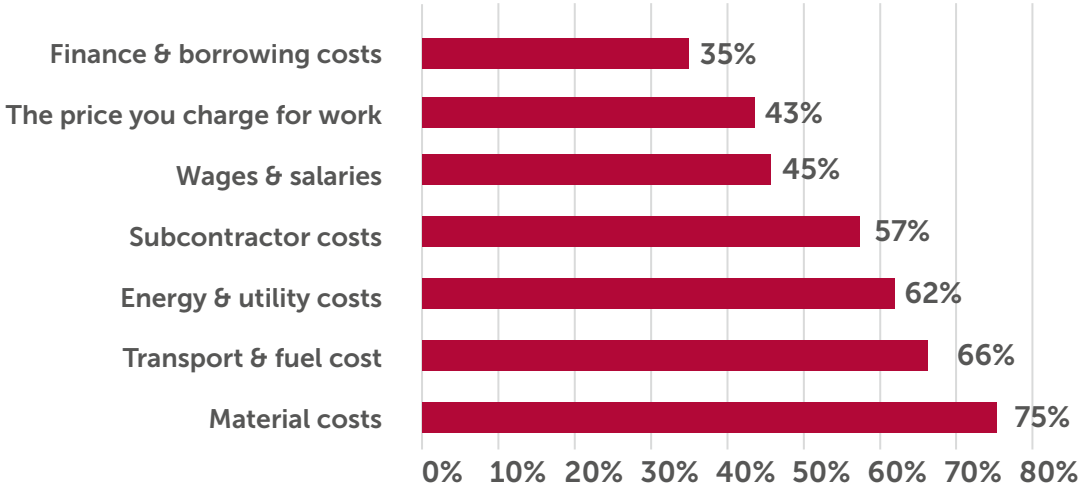
Prices and cost

In H1 2026, the majority of respondents continued to face cost pressures, with increases reported across material costs, transport and fuel costs, wages and salaries, energy and utility costs and subcontractor costs. Three quarters of respondents (75%) reported an increase in material costs, unchanged from H2 2025. Two-thirds (66%) reported increases in transport and fuel costs, while 62% reported higher energy and utility costs and 57% experienced an increase in subcontractor costs. Wage pressures also remained significant, with 45% reporting an increase in wages and salaries.

These ongoing cost pressures contributed to increases in the prices charged for work, with 43% of respondents reporting that they had increased their prices during the first half of 2026.

Looking ahead to the second half of 2026, respondents expect costs to continue rising across most categories. Expectations of future cost increases are highest for transport and fuel costs (61%), followed by energy and utility costs (57%) and material costs (57%). 39% also expect wages and salaries to increase. As a result, 43% of respondents expect to increase the prices they charge for work in the second half of 2026.

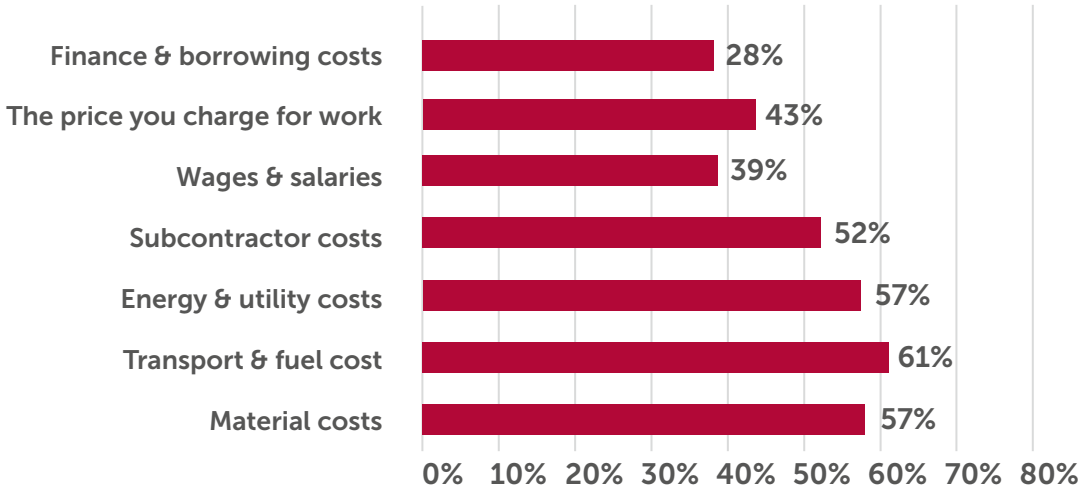
Past cost increases January to June 2026



Graph 12 – Q17. Compared with July to December 2025, how did each of the following change during January to June 2026?

Base: The prices you charge for work (n=280); Wages & salaries (n=283); Materials costs (n=283); Energy & utility costs (n=278); Subcontractor costs (n=276); Transport & fuel costs (n=284); Finance & borrowing costs (n=203). Excluding 'Don't know / prefer not to say'.

Expected future costs July to December 2026



Graph 13 – Q18. Thinking about July to December 2026, how do you expect each of the following to change compared with January to June 2026?Base: The prices you charge for work (n=274); Wages & salaries (n=280); Materials costs (n=281); Energy & utility costs (n=275); Subcontractor costs (n=254); Transport & fuel costs (n=279); Finance & borrowing costs (n=248). Excluding 'Don't know / prefer not to say'.



The impact of changes in prices and costs

In H1 2026, respondents whose businesses were affected by rising outgoing costs, including wages, salaries, material costs, energy costs and subcontractor costs, reported a range of impacts. Just under half (48%) said that these increased costs led to higher prices being charged for work. A similar proportion (47%) reported lower-than-expected profits or business losses as a result of rising costs.

Almost three in ten (29%) said that increased costs had restricted plans to recruit new staff, while 22% reported that planned investment or business growth had been constrained. Around one in six (16%) indicated that staff redundancies or contract terminations had occurred as a result of cost pressures.

While fewer businesses reported more severe consequences, 14% said that rising costs had affected the viability of the business or put it at risk of closure. This suggests that although most businesses are responding to cost pressures through pricing changes, reduced recruitment and constrained investment, rising costs continue to pose a significant risk to a minority of firms.



Impact of increase in outgoing costs (materials and/or wages)



Graph 14 – Impact of an increase in outgoing costs (materials, wages and salaries, energy, utility, subcontractor, transport and fuel, and/or finance and borrowing costs). Q22. You said that your outgoing costs have increased over the period of January to June 2026. How, if at all, has this impacted your company? Base: Those who experienced an increase in outgoing costs (n=264).

Contracting companies

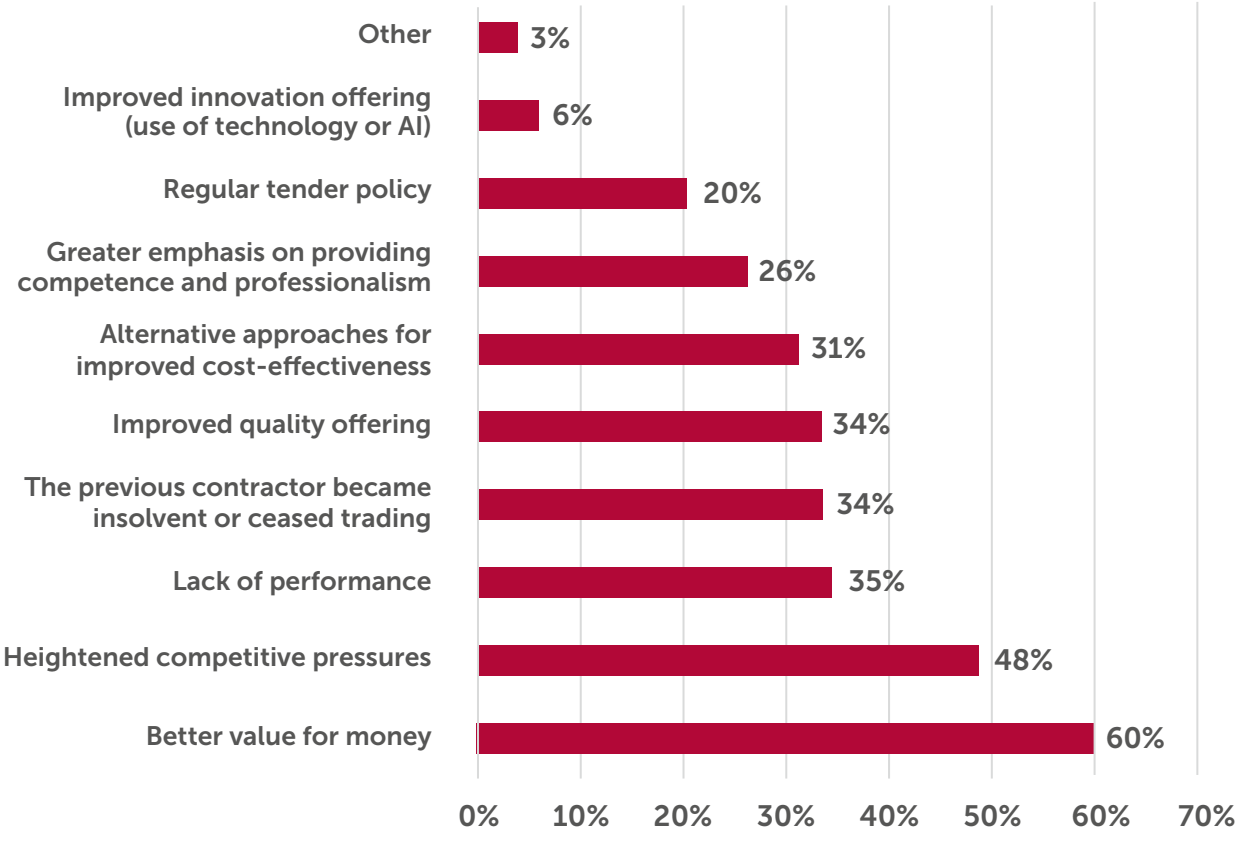
In H1 2026, 29% of respondents reported changing contractors, suppliers or external service providers within their business, while the majority (71%) indicated that they had not made any changes to these arrangements during the period.

This represents a lower level of supplier and contractor switching than reported in H2 2025, suggesting that most businesses maintained existing commercial relationships despite ongoing market challenges.

In H1 2026, among respondents who had changed contractors, suppliers or external service providers (29%), better value for money was the most commonly cited reason (60%). Heightened competitive pressures were mentioned by 48% of respondents, while 35% pointed to a lack of performance from previous providers.

Additionally, 34% reported making changes because their previous contractor or supplier became insolvent or ceased trading, while 34% cited an improved quality offering as a reason for switching. Around one in four (26%) reported changing providers to access greater competence and professionalism, and 20% attributed the change to a regular tender policy.

What was the primary motivation for contracting companies that your business used previously?



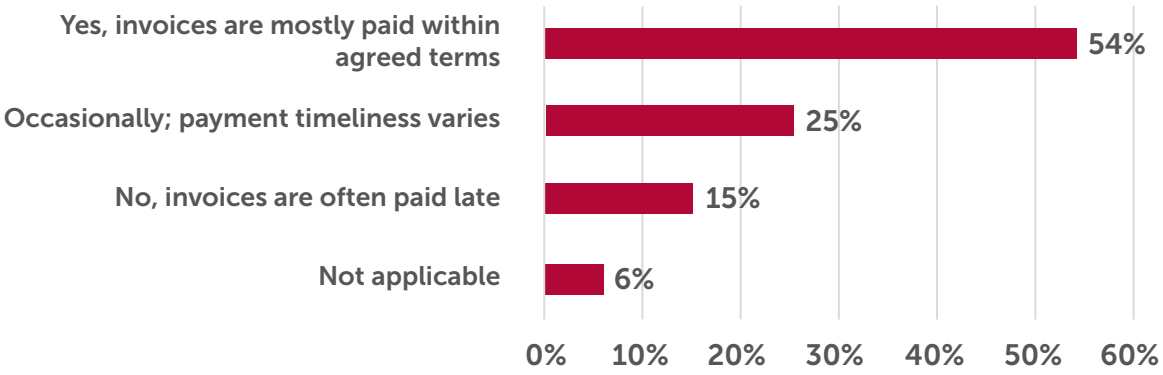
Graph 15 – Reasons for changing contractors, suppliers or external service providers. Q20. What were the main reasons your business changed the contractor, supplier or external service provider? Base: Those who changed contractors, suppliers or external service providers (n=110).

Invoice payment

In H1 2026, just over half of respondents (54%) reported that their invoices were paid within the agreed terms. Around one in four (25%) experienced payments on a varied timeline, while 15% indicated that their invoices were often paid late. A further 6% said the question was not applicable to their business.

While a majority of businesses continued to receive payment within agreed terms, the proportion reporting frequent late payment remains notable, highlighting the ongoing importance of prompt payment practices across the construction supply chain. The UK Government is also hoping to further crack down on late payments through the Commercial Payments Bill which is currently working its way through Parliament.

Between January and June 2026, have the invoices owed to your business generally been paid within the agreed terms?



Graph 16 – Invoice payment. Q33. Between January to June 2026, have the invoices owed to your business generally been paid within the agreed terms? Base: All respondents (n=416).



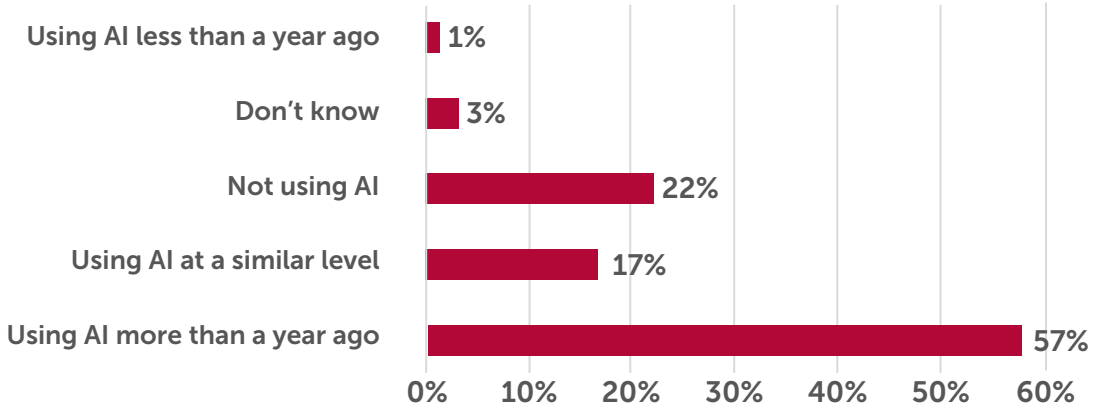
AI adoption and innovation

More than half of respondents (57%) reported using AI technologies more than they had a year earlier, while 22% reported not using AI technologies at all.

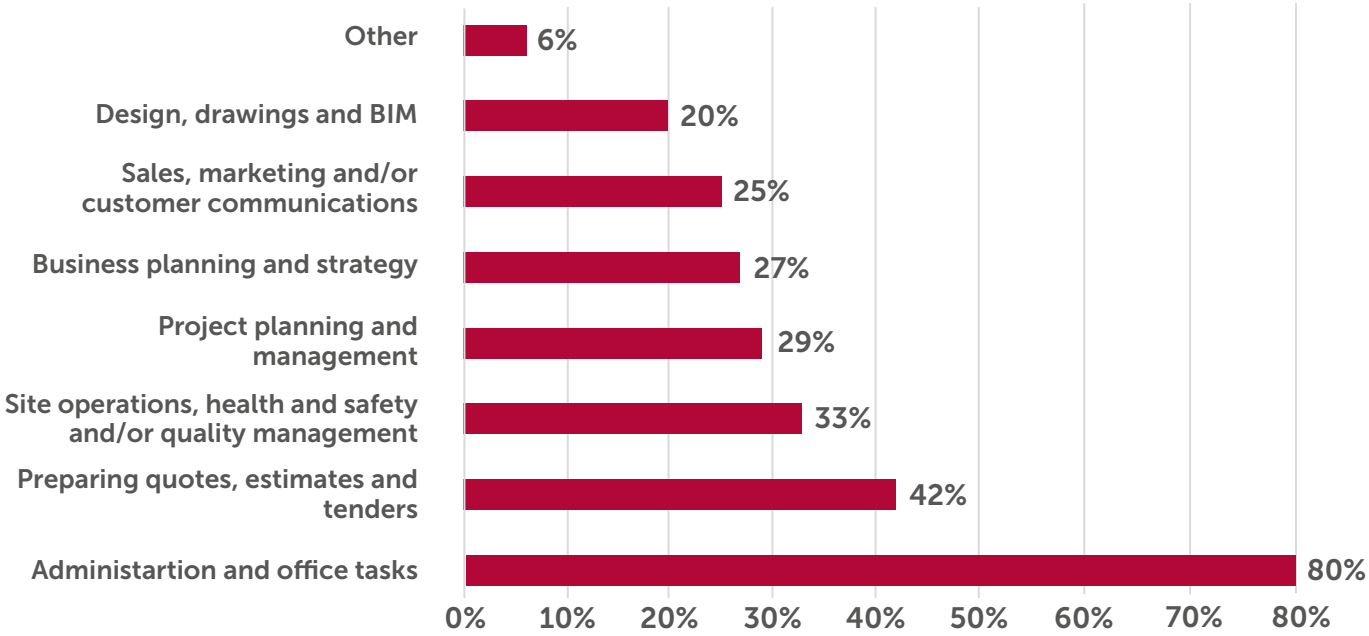
Among businesses using AI technologies, the most common application was administration and office tasks (80%). AI was also widely used for preparing quotes, estimates and tenders (42%), followed by site operations, health and safety and quality management (33%). Around three in ten users reported applying AI to project planning and management (29%) and business planning and strategy (27%), while one-quarter used AI for sales, marketing and customer communications (25%). One in five (20%) reported using AI for design, drawings and BIM.

AI tools are primarily being used to support administration, tender preparation and operational management. This suggests that businesses are using AI to improve efficiency and reduce administrative burdens, rather than replacing skilled construction roles or technical expertise.

AI usage



Graph 17 – AI adoption and usage. Q15. AI technologies and tools are now being used regularly in the workplace. How has your company's use of AI technologies or tools changed between January to June 2026, compared with July to December 2025?Base: All respondents answering the question (n=292).



Graph 18 – Areas where AI technologies or tools are currently being used. Q16. In which areas of your business are AI technologies or tools currently being used? Base: Businesses using AI technologies and answering the question (n=215).

Key indicators in the UK nations

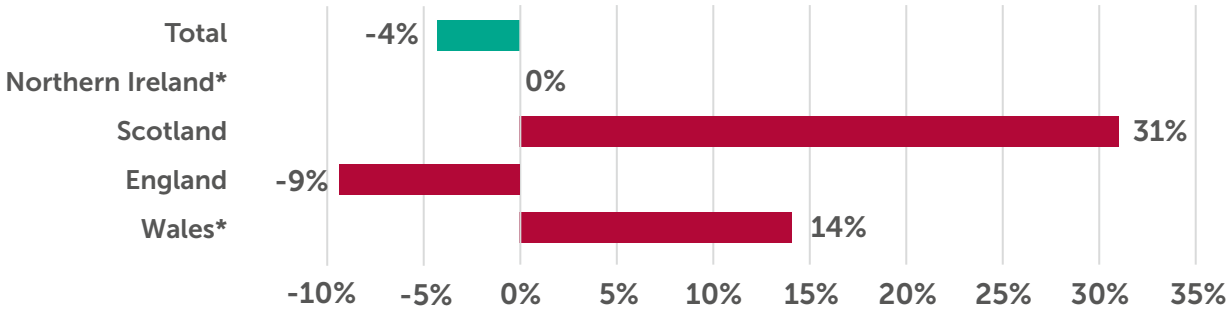
In H1 2026, the overall workload across the UK weakened, with the net balance falling to -4%, compared with +22% in H2 2025 and +25% in H1 2025. Across the home nations, results were mixed. Scotland recorded the strongest workload balance (+31%), followed by Wales (+14%), while England returned a negative workload balance (-9%), indicating that more businesses experienced a decline in workload than an increase.

Enquiries also softened across much of the UK, with the overall net balance falling to -10%, down from +18% in H2 2025. Scotland remained positive (+9%), while Wales (-8%) and England (-12%) both recorded negative enquiry balances, suggesting a weaker pipeline of future work.

The first half of 2026 marks a notable shift from the positive growth reported during 2025. While Scotland and Wales continued to record positive workload balances, England accounted for the majority of respondents and reported declines in both workload and enquiries. This suggests that market conditions weakened across large parts of the SME construction sector during H1 2026.

Results for Northern Ireland have been excluded from the commentary due to the very small sample size and should be interpreted with caution.

UK Nations total workload



Graph 20 – National total workload. Base: England (n=282); Wales (n=28); Scotland* (n=26); Northern Ireland** (n=2). Graph shows net balance of change. *Results for Scotland and Wales should be interpreted with caution due to the small base sizes.*

***Results for Northern Ireland should be interpreted with extreme caution due to the very small base size (n=2). As a result, any changes reported for Northern Ireland are highly sensitive to individual responses and may not be representative of the wider market.*

Key Indicators in the English Regions

In H1 2026, the overall regional workload moved into negative territory, recording a net balance of -4%, compared with +22% in H2 2025. Performance varied considerably across the English regions. The North recorded the strongest workload balance at +15%, followed by Southern England at +12%. Greater London was broadly stable at +3%, while the Midlands returned a negative balance of -14%, indicating that more businesses experienced declining workloads than increasing workloads.

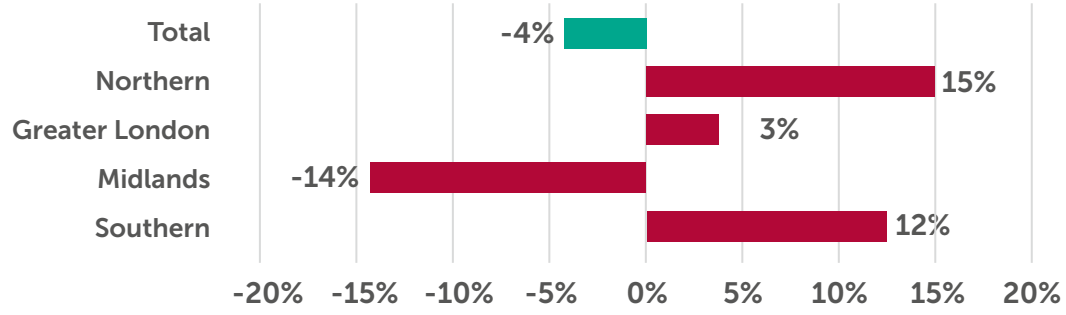
Regional enquiries also weakened, with the overall net balance falling to -12%, down from +19% in H2 2025. Despite the broader slowdown, the North remained positive at +8%, while Greater London returned a net balance of -3%.

Conditions were weaker in the South (-16%) and Midlands (-21%), both of which recorded notable negative enquiry balances, suggesting a softer pipeline of future work.

Compared with the positive growth reported throughout 2025, the first half of 2026 signals a marked deterioration in regional market conditions.

While the North continued to outperform other regions across both workload and enquiries, activity weakened elsewhere, with the Midlands experiencing the largest decline and both the South and Greater London also seeing a slowdown in demand.

Regional workload



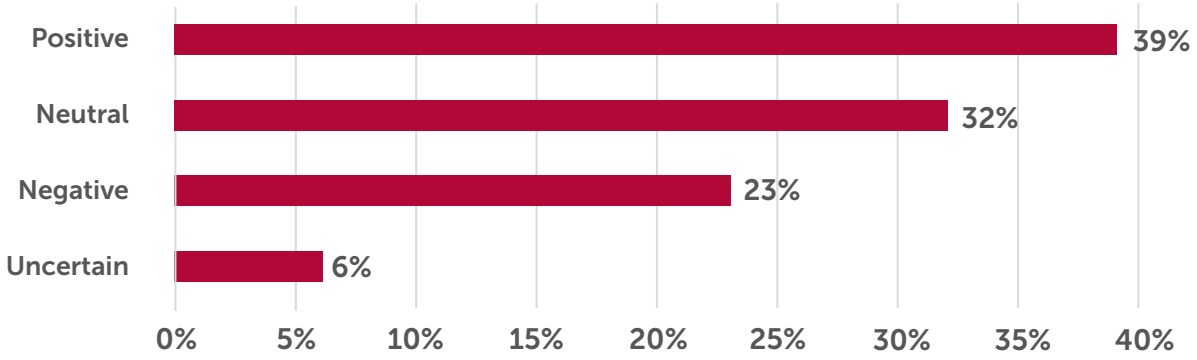
Graph 21 – Regional total workload. Base: North (n=75); Midlands (n=54); South (n=92); Greater London (n=44). Graph shows net balance of change.

Outlook for businesses in H2 2026

Just under two in five respondents (39%) have a positive outlook for the second half of 2026. Around one-third (32%) hold a neutral perspective, while 23% report a negative outlook for the remainder of the year. A further 6% remain uncertain about the outlook for their business.

Compared with the more positive sentiment reported in 2025, business confidence has weakened, with the proportion holding a positive outlook falling and the proportion reporting a negative outlook increasing. Nevertheless, positive sentiment continues to outweigh negative sentiment, indicating that many businesses remain cautiously optimistic despite the challenges facing the sector.

Outlook for the business in H2 2026



Graph 22 – Outlook for the business in July to December 2026. Q25. What is the outlook for your business from now until the end of 2026? Base: All respondents (n=276).

What businesses are telling us...

The survey also invited businesses to share their experiences in their own words. Three recurring themes emerged around planning delays, skills shortages and ongoing cost pressures.

Planning delays and regulation

Theme: Planning reform / project delays

"Reform the planning process. The cost and number of consultants required to provide reports to satisfy planning policy is causing significant delays and adding significant cost to any project. Common sense needs to prevail throughout the planning process."

Yorkshire & Humber business, 10-24 employees

Skills shortages

Theme: Recruitment and workforce challenges

"The construction industry is already facing a significant shortage of skilled labour, and this challenge is only expected to worsen in the coming years. The age gap between experienced tradespeople and apprentices is increasing, with too few young people entering the workforce to replace those approaching retirement."

South West business, 250+ employees, CIOB member

Costs, viability and market conditions

Theme: Market weakness and cost pressures

"The industry is in a dire spot. Cost of construction is a huge issue and the main driver. This coupled with higher development finance and land values means small-scale development work is non-existent as sites simply don't stack up at feasibility stage."

South East business, 2-9 employees, FMB member



For more information

The survey was issued between 3rd September and 21st September 2026 and received 416 completes. It was published in November 2026.

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

For more information about CIOB please visit
www.ciob.org

For more information about Barbour-ABI, please contact:

Tolga Necar, Head of Consultancy Research, on:
Tolga.necar@barbour-abi.com

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