"one industry one voice"

Builders Merchant Building Index

Monthly Report for July 2016

Building the Industry & Building Brands from Knowledge

GfK
Powerful, accurate, continuous insights

MRA
Experienced industry experts

BMF
The voice of the industry

Introduction

John Newcomb, Managing Director BMF

This Builders Merchant Building Index (BMBI) report combines data from GfK's ground-breaking Builders Merchants Panel, which analyses data from over 80% of generalist builders' merchants' sales throughout Great Britain.

Trend data in the BMBI is indexed on the 12 month period July 2014 to June 2015. The monthly series tracks what is happening in the market month by month and includes an in-depth review every quarter. This trend series gives our industry access to far more accurate and comprehensive data than that available to other construction sectors.

Data from GfK's Builders Merchants Panel is setting a new standard to give us a reliable market picture. Unlike data from sources based on estimates, or sales from suppliers into the supply chain, this up-to-date data is based on actual sales out from merchants to builders and other trades.

Measuring the level of RMI work in the economy is hugely important to everyone including Government. Yet until now there has not been any decent measure of RMI, or even an approximation of it. The Builders Merchants Panel provides a reliable measure on a national scale.

We recognise the importance of sharing this data. In this spirit, MRA Marketing produces the Builders Merchant Building Index to communicate to the wider market as the voice of the industry as well as the voice of individual Expert Brands. We now have nine Expert Brands: Crystal Direct, Keylite Roof Windows, Timbmet, Alumasc Water Management Solutions, Hanson Cement, IKO plc, Keystone Lintels, Knauf Insulation and Encon insulation providing valuable commentary on market trends and influences.

GfK insights go deeper than the category sectors contained in this document. They can trace product group performance and track features that are relevant to you. GfK can also produce robust like-for-like market comparability tailored to the requirements of an individual business. As more merchants join in to submit their monthly sales-out data the quality of this information can only become more extensive and rigorous. Merchants or Suppliers who are interested in getting involved should contact Ricky Coombes at Ricky.Coombes@gfk.com

The BMBI website enables you to compare Landscaping with Heavy Building Materials, or Kitchens with Timber on our interactive charts. Download the latest report, read the news or search through comments or blogs at www.bmbi.co.uk. Follow us and the Experts @theBMBI .

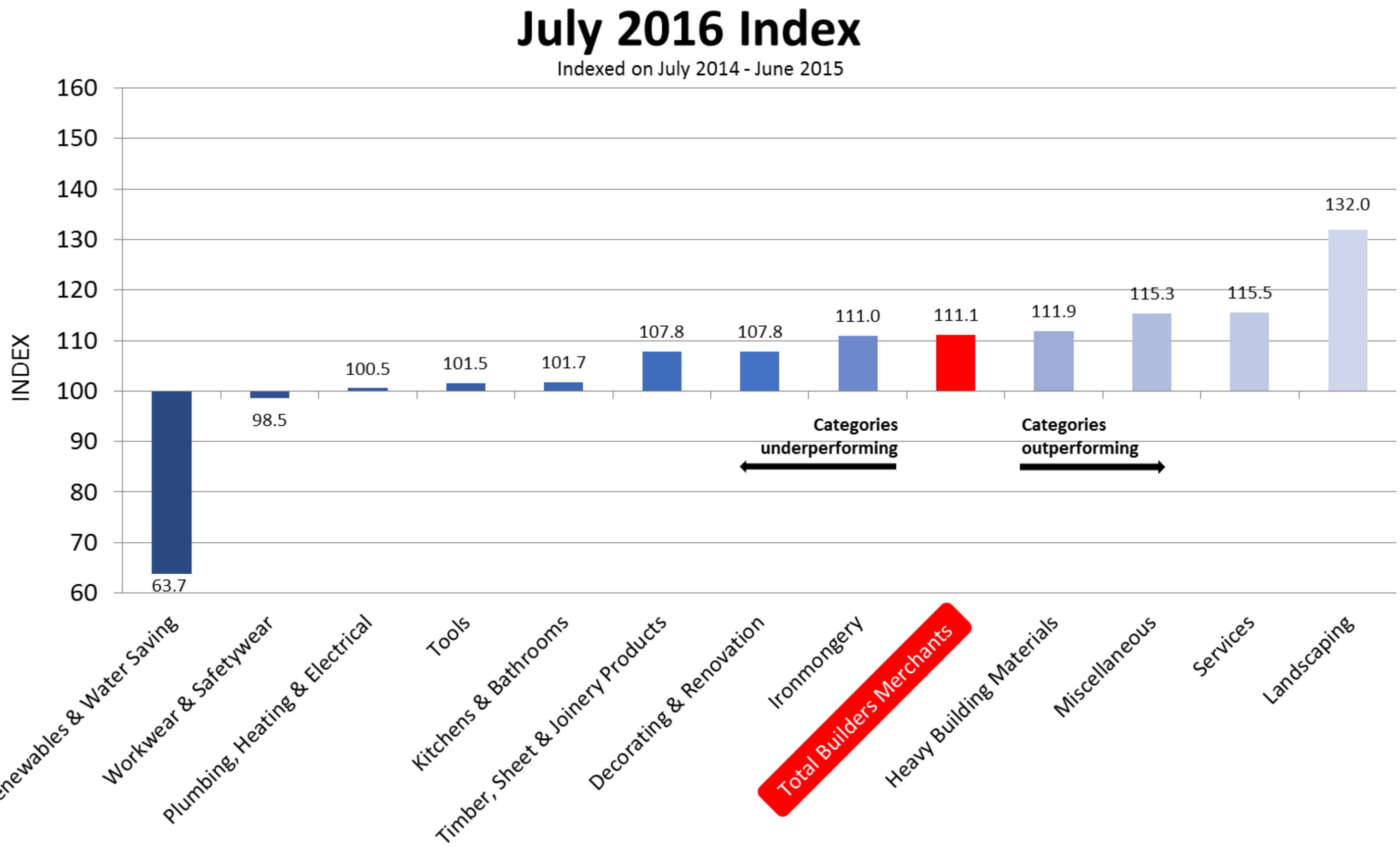
Monthly: Index and Categories

July 2015 – July 2016 (Indexed on monthly average, July 2014 – June 2015)

VALUE EX VAT £	Index	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16
Total Builders Merchants	100	115.4	100.5	110.3	110.9	101.3	74.0	88.2	101.3	110.0	113.6	111.4	115.7	111.1
Timber, Sheet & Joinery Products	100	113.8	100.4	110.6	112.1	102.9	74.7	91.3	101.6	107.1	108.9	106.0	112.1	107.8
Heavy Building Materials	100	115.6	100.3	110.8	111.1	100.2	72.2	87.1	100.8	110.1	114.3	111.7	116.2	111.9
Decorating & Renovation	100	114.8	104.6	111.9	112.7	103.2	78.4	90.9	101.3	106.6	107.5	105.4	108.1	107.8
Tools	100	107.9	94.4	105.1	105.7	103.7	75.9	89.6	99.7	104.1	106.9	99.8	104.0	101.5
Workwear & Safetywear	100	105.9	98.0	120.1	119.4	119.6	75.7	112.6	106.5	105.5	96.3	96.5	107.6	98.5
Ironmongery	100	114.1	101.5	111.7	112.3	108.1	84.3	100.5	108.9	113.0	112.8	110.9	112.8	111.0
Landscaping	100	132.4	108.4	107.0	101.7	83.2	59.0	65.2	88.9	115.7	137.7	144.2	144.7	132.0
Plumbing, Heating & Electrical	100	107.3	93.6	111.4	119.1	118.3	89.6	106.3	114.6	115.2	110.8	101.4	103.3	100.5
Renewables & Water Saving	100	75.7	67.7	104.0	99.6	95.9	76.0	78.1	71.8	72.5	67.1	64.8	75.5	63.7
Kitchens & Bathrooms	100	112.4	97.0	110.3	109.6	108.6	77.5	91.6	109.0	110.5	106.7	98.0	107.6	101.7
Miscellaneous	100	106.3	96.6	107.1	110.1	103.3	83.7	104.0	107.4	112.9	113.1	107.4	113.3	115.3
Services	100	112.7	102.5	108.4	111.4	102.4	83.1	86.2	102.3	114.6	111.3	116.7	116.1	115.5

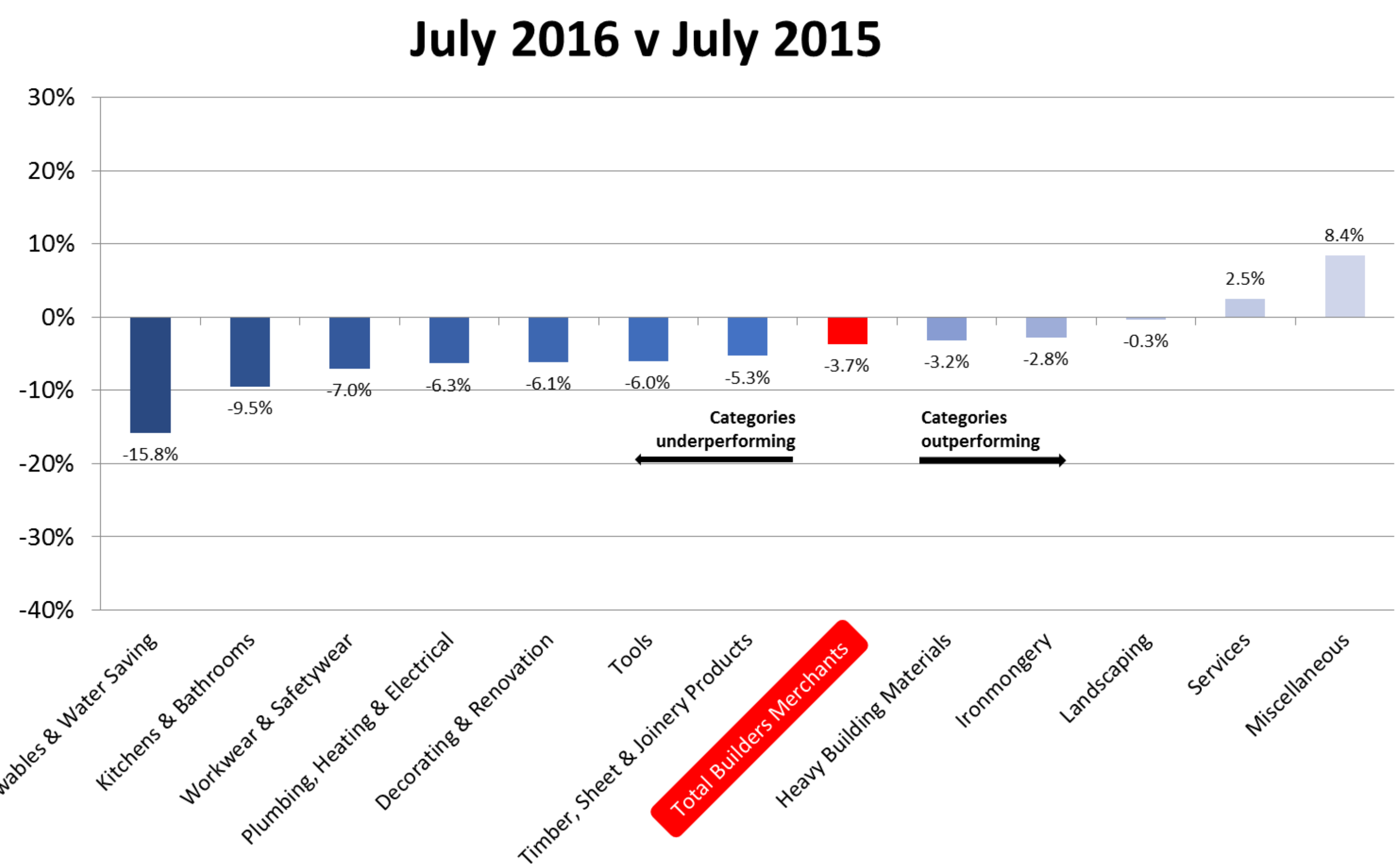
Monthly: Index and Categories

July 2016



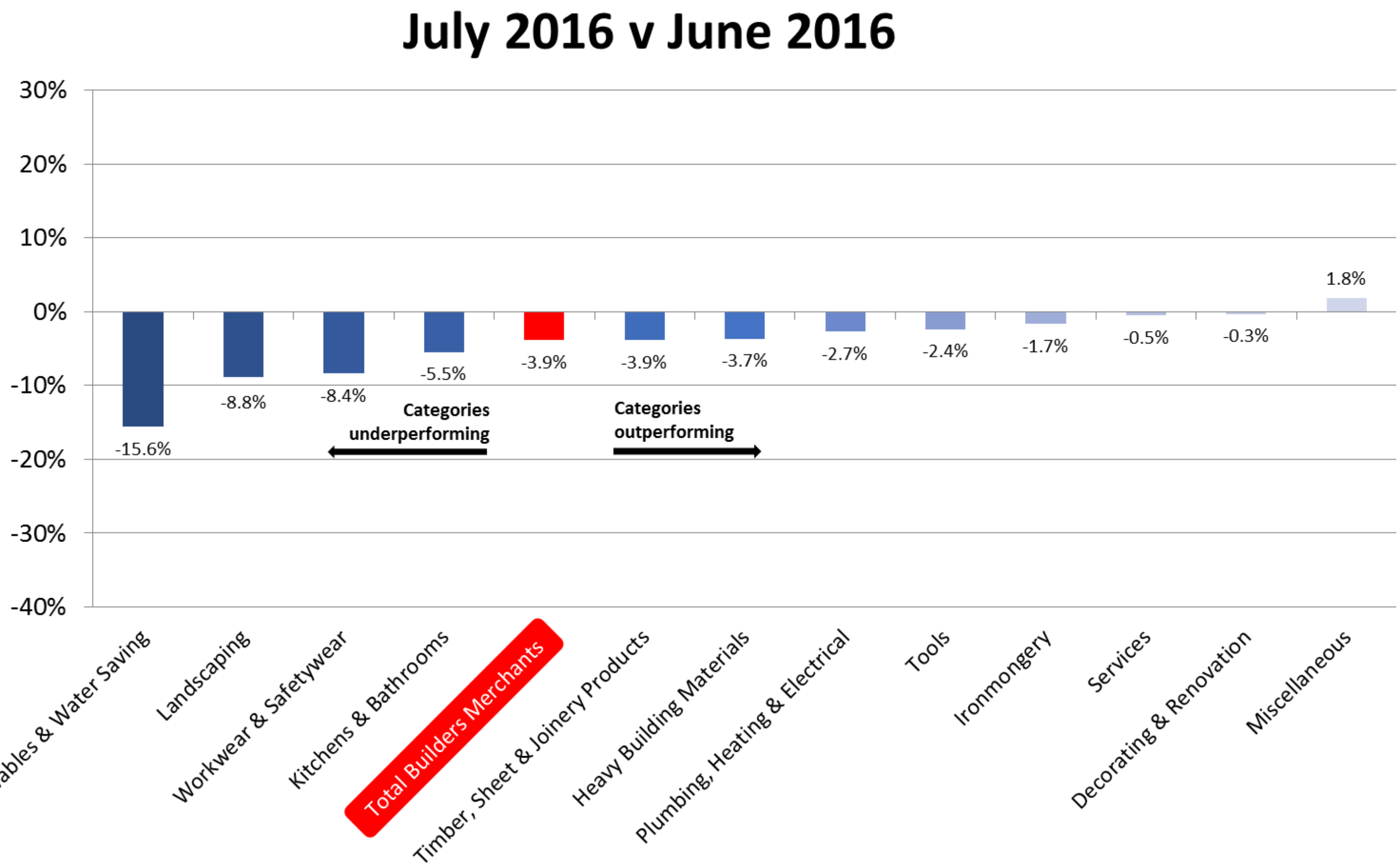
Monthly: this year v last year

July 2016



Monthly: this month v last month

July 2016



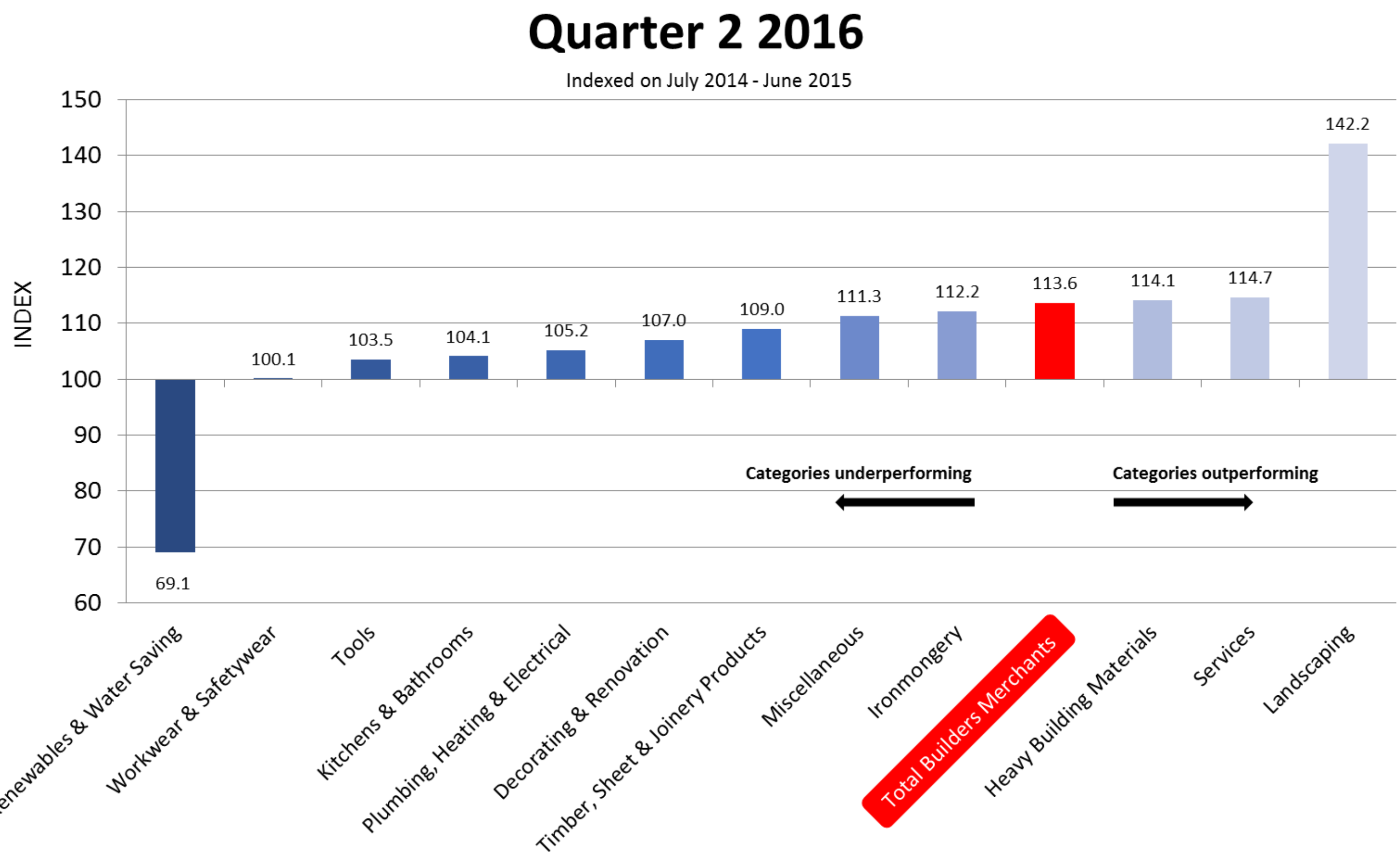
Quarterly: Index and Categories

Quarterly (Indexed on July 2014 to June 2015)

VALUE EX VAT £	Index	Q3, 2015	Q4, 2015	Q1, 2016	Q2, 2016
Total Builders Merchants	100	108.7	95.4	99.8	113.6
Timber, Sheet & Joinery Products	100	108.3	96.6	100.0	109.0
Heavy Building Materials	100	108.9	94.5	99.3	114.1
Decorating & Renovation	100	110.4	98.1	99.6	107.0
Tools	100	102.5	95.1	97.8	103.5
Workwear & Safetywear	100	108.0	104.9	108.2	100.1
Ironmongery	100	109.1	101.6	107.5	112.2
Landscaping	100	115.9	81.3	89.9	142.2
Plumbing, Heating & Electrical	100	104.1	109.0	112.0	105.2
Renewables & Water Saving	100	82.5	90.5	74.1	69.1
Kitchens & Bathrooms	100	106.6	98.5	103.7	104.1
Miscellaneous	100	103.4	99.0	108.1	111.3
Services	100	107.9	99.0	101.0	114.7

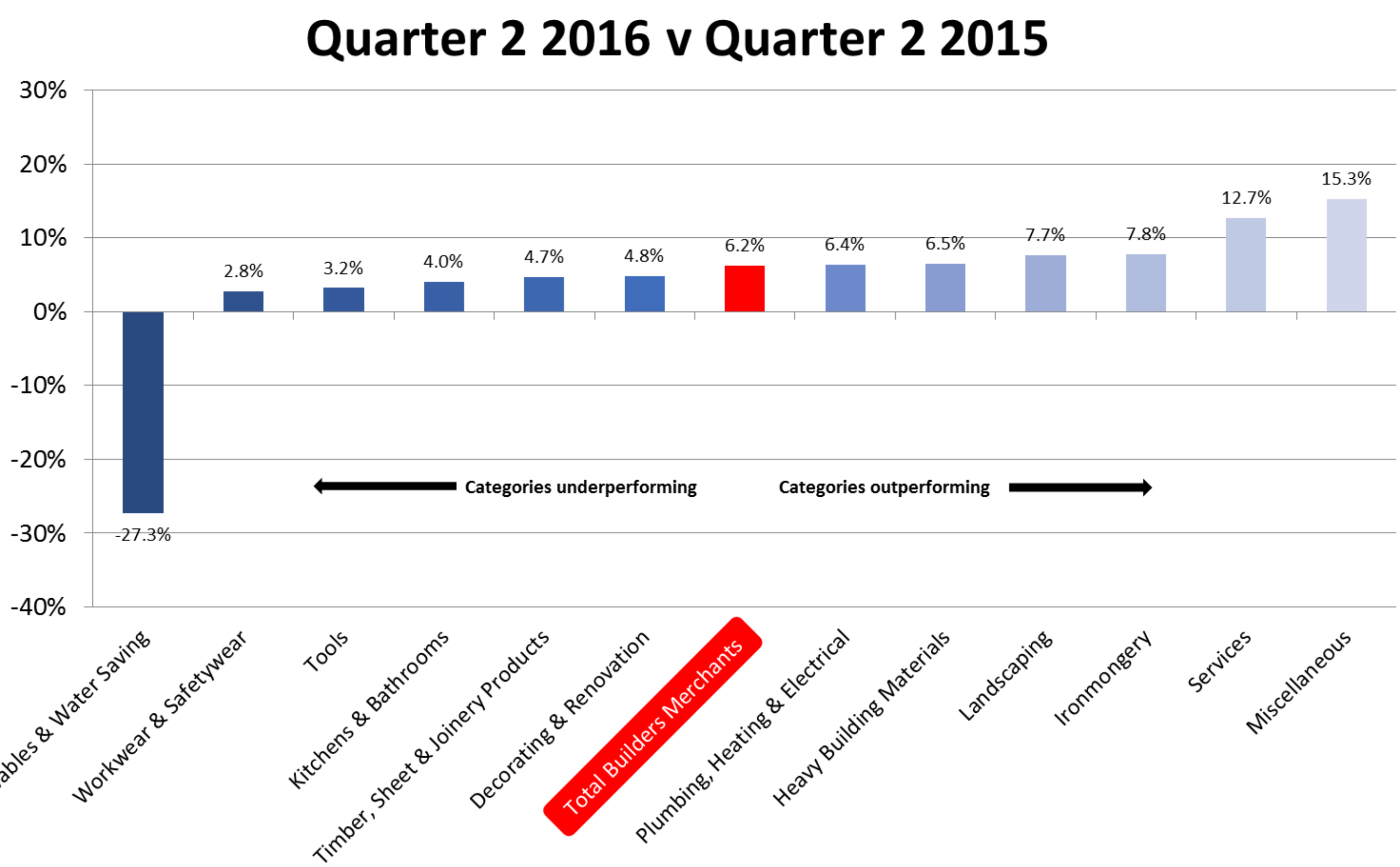
Quarterly: Index and Categories

Q2, 2016



Quarterly: this year v last year

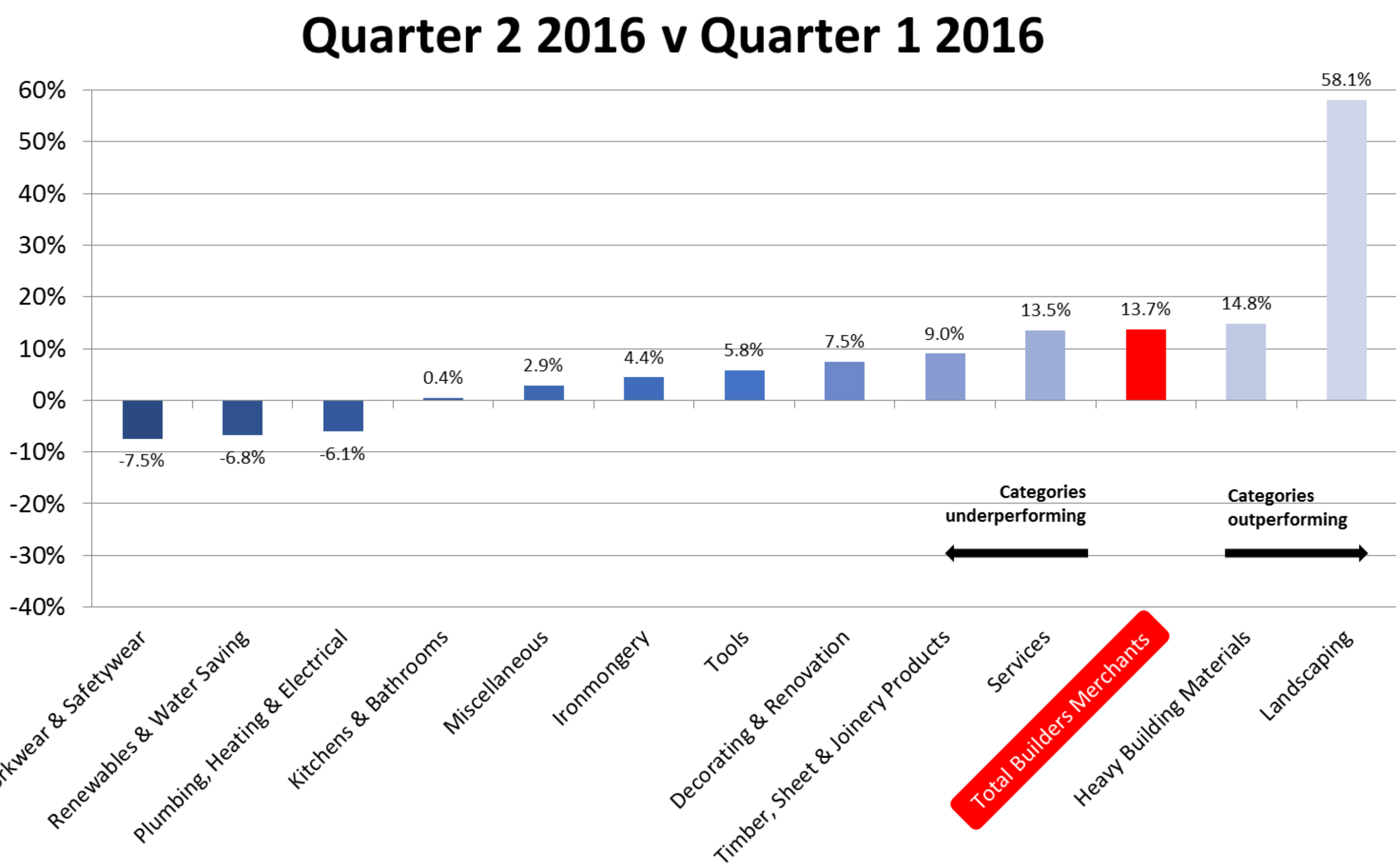
Q2, 2016



Source: GfK's Builders Merchants Total Category Report – July 2015 to June 2016

Quarterly: quarter on quarter

Q2, 2016



Overview

John Newcomb, Managing Director BMF

July's builders' merchants' sales, the first full month after the EU Brexit vote were down year on year, but the index which is based on 12 months' sales from July 2014 June 2015 remained positive at 111.1.

Year on year
Total Builders Merchant July sales were 3.7% down on the same month in 2015. Heavy Building Materials, the largest BMBI category, was down 3.2% and the second largest, Timber & Joinery Products was 5.3% lower. Six other categories did less well than merchants generally, including Plumbing Heating & Electrical (-6.3%) and Kitchens & Bathrooms (-9.5%).

However with two fewer trading days this year, total sales per day were 5.5% higher.

Month on month
Compared with June, sales in July were down 3.9% with one less trading day contributing. Heavy Building Materials slipped 3.7%, Landscaping was 8.8% lower and Renewables & Water Saving, a small volatile category was down 15.6%. Tools (-2.4%), Ironmongery (-1.7%) and Decorating & Renovation (-0.3%) were marginally lower.

Rolling three months
Total sales in the three months May to July were 4.1% up on the three months February to April, helped by two additional trading days. Landscaping gained 22.9%, in a seasonal surge, and Heavy Building Materials (+4.5%) were also ahead of total sales. Kitchens & Bathrooms (-5.8%) and Plumbing Heating & Electrical (-10.4%) were the weakest categories.

Index
All but two categories had positive indices in July. Landscaping (132.0) and Heavy Building Materials (111.9) were up on the Total Builders Merchant index (111.1). Workwear & Safetywear (98.5) and Renewables & Water Saving (63.7) were the only two below 100.

As the ONS said, there was very little anecdotal evidence that the vote to leave the EU had affected construction output in July. The August BMBI report will provide a further indication, although a difference in trading days with August 2015 will complicate like-for-like comparisons when establishing the effects of Brexit in building and RMI markets.

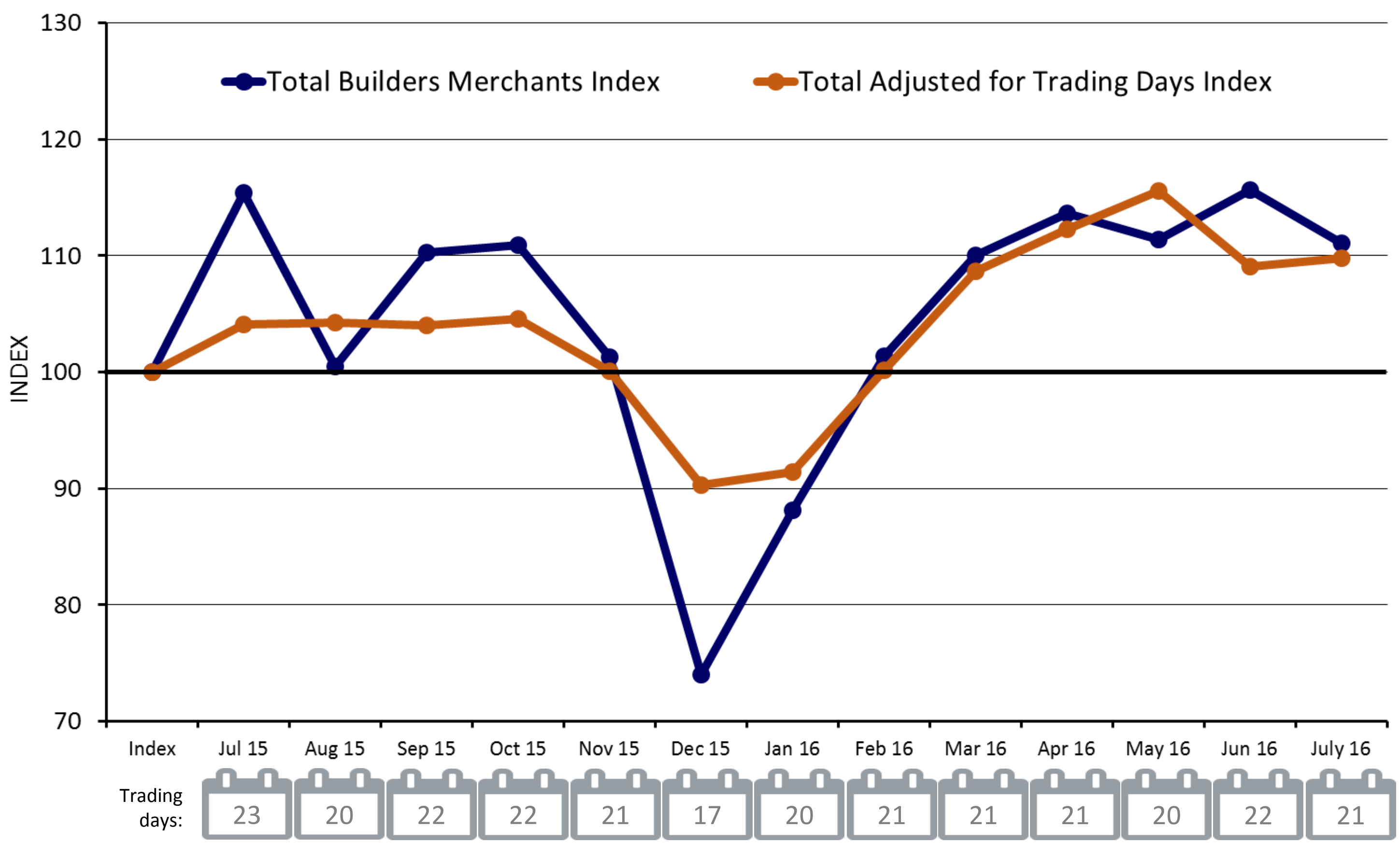
For greater detail and benchmarking your market please contact GfK.

Monthly Index

Adjusted for Trading Days

Builders Merchant Building Index

Total Builders Merchants Index v Total Adjusted for Trading Days Index



The Expert Panel

Speaking for their markets

Builders Merchant Building Index

The Builders Merchant Building Index (BMBI) includes a growing panel of industry Experts. In each quarterly report they comment on the market, with a particular focus on the story behind the trends.

Experts are leading brands, or brands aspiring to become leaders, who are the voice of their markets.

To access the Q2 2016 report, which includes commentary from our experts, [click here]

Meet the Builders Merchant Building Index Experts:

Steve Halford, Managing Director, Crystal Direct is BMBI's Expert for PVCU Windows and Doors

Crystal COLOUR
No.1 for choice • No.1 for colour

Steve Durdant-Hollamby, Managing Director, AWMS is BMBI's Expert for Civils, Metal Rainwater & Drainage

ALUMASC WATER MANAGEMENT SOLUTIONS

Derrick McFarland, Managing Director, Keystone Group UK is BMBI's Expert for Lintels

Keystone LINTELS

John Duffin, Managing Director Keylite Roof Windows is BMBI's Expert for Roof Windows.

keylite Roof Windows

Keith Ellis, Commercial Director, Hanson Cement is BMBI's Expert for Cement and Aggregates

Hanson HEIDELBERGCEMENT Group

John Sinfield, Managing Director Knauf Insulation is BMBI's Expert for Mineral Wool Insulation

KNAUF INSULATION it's time to save energy

Nigel Cox, Managing Director Timbmet is BMBI's Expert for Timber & Panel Products

TIMBMET Everything wood should be

Andy Williamson, Group Managing, Director IKO plc is BMBI's Expert for Roofing Products

IKO Setting the Standard

Mike Beard, Merchant Development Director Encon Insulation is BMBI's Expert for Insulation Products - Distribution.

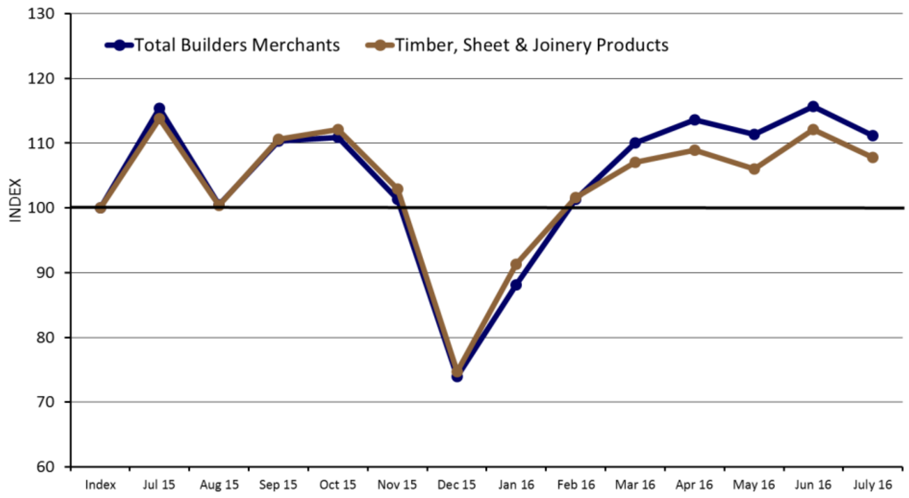
encon INSULATION

Monthly Report

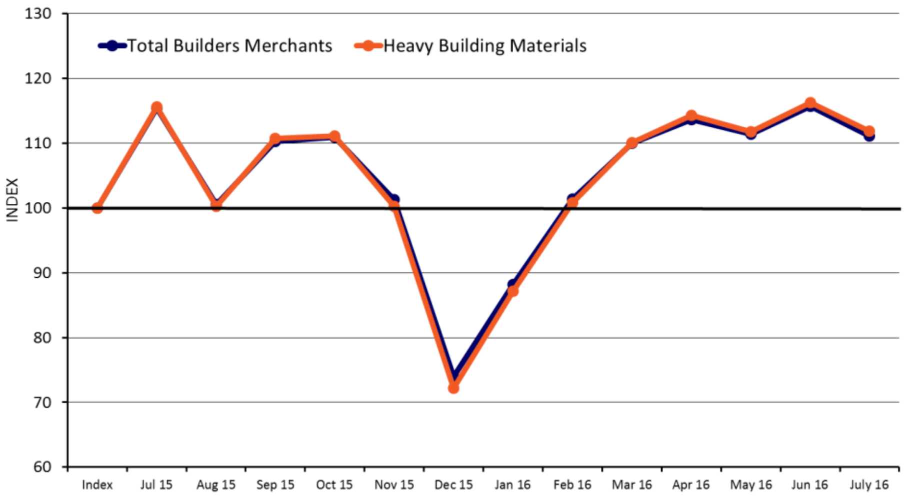
July 2016

Builders Merchant Building Index

Timber, Sheet & Joinery Products



Heavy Building Materials

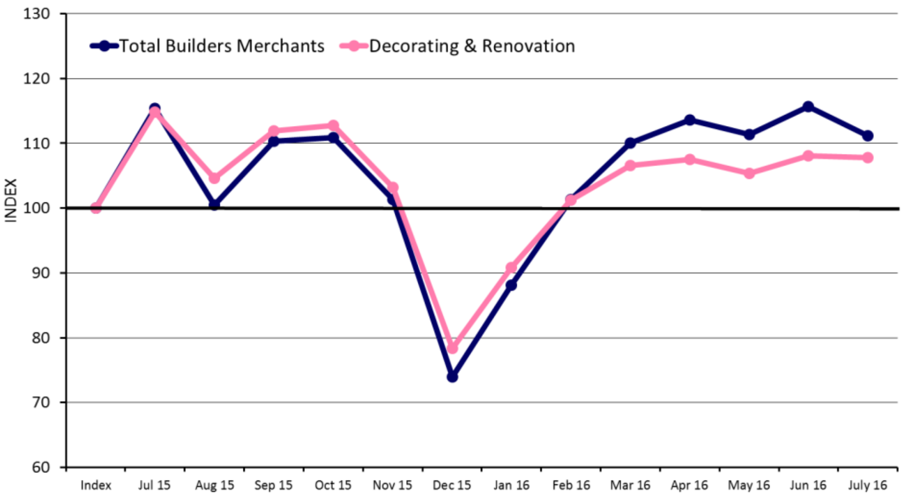


Charts indexed on July 2014 – June 2015

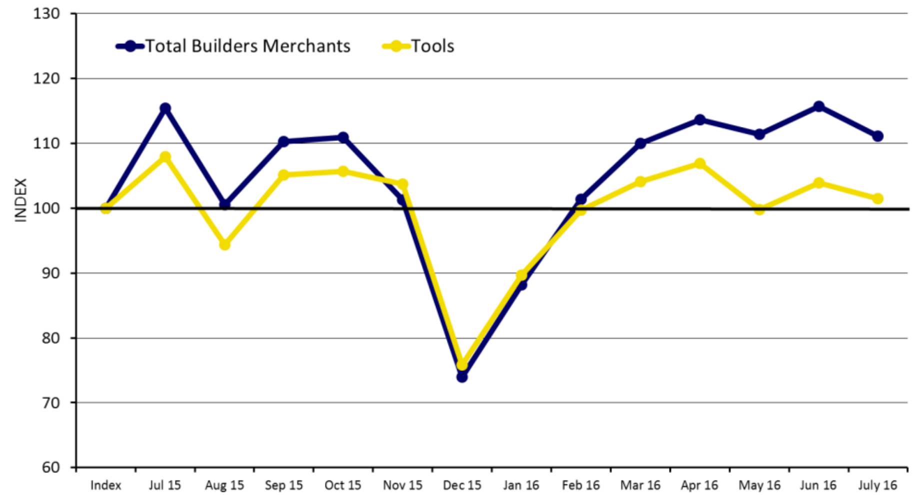
Monthly Report
July 2016

Builders Merchant Building Index

Decorating & Renovation



Tools

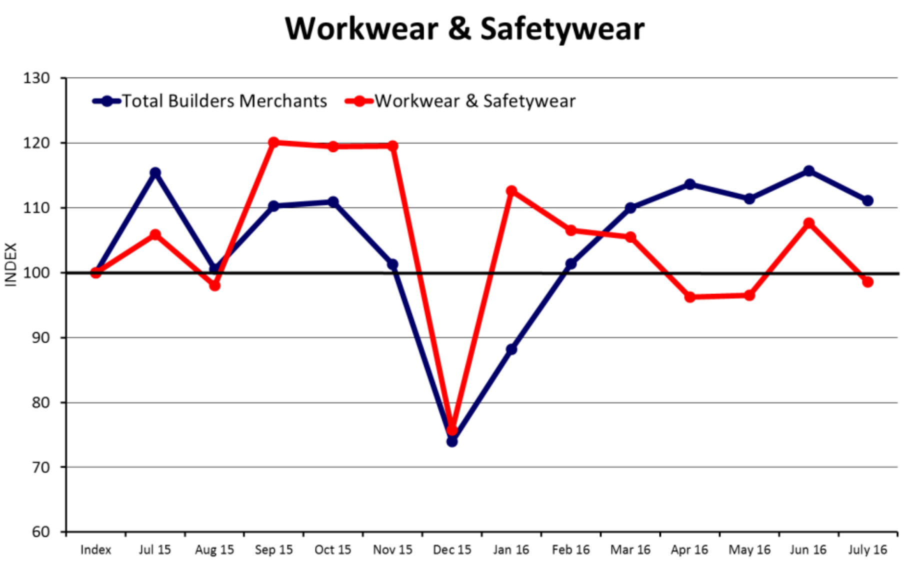


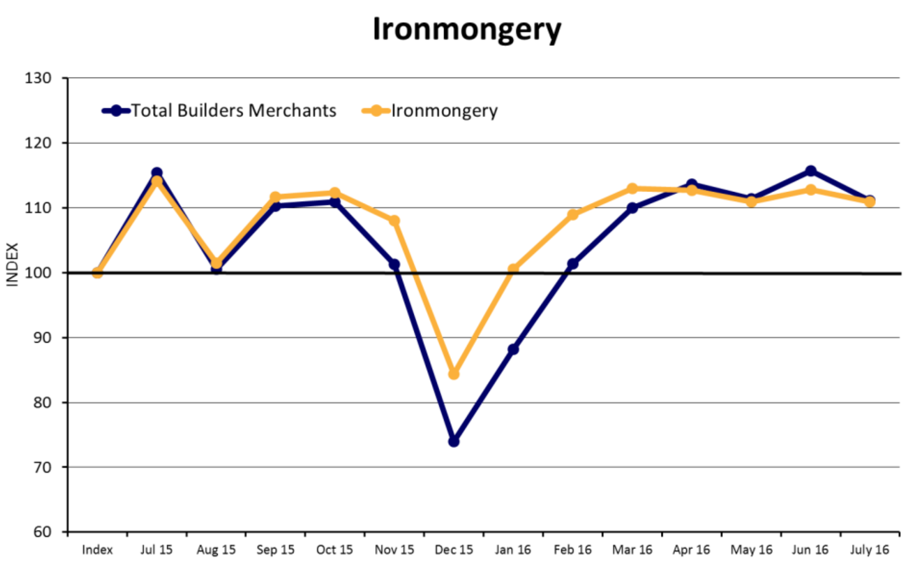
Charts indexed on July 2014 – June 2015

Monthly Report

July 2016

Builders Merchant Building Index





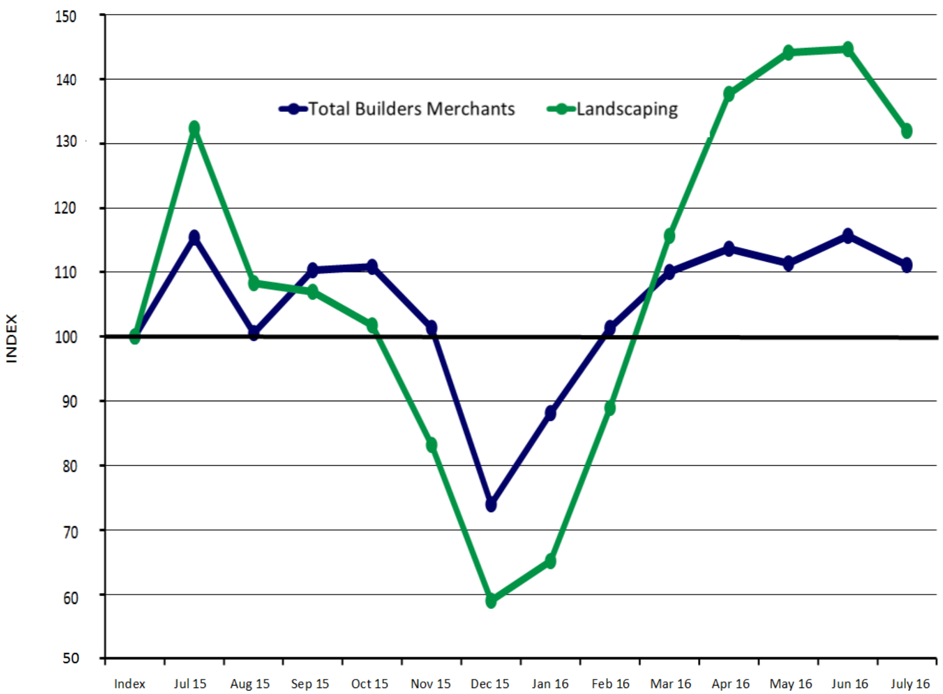
Charts indexed on July 2014 – June 2015

Monthly Report

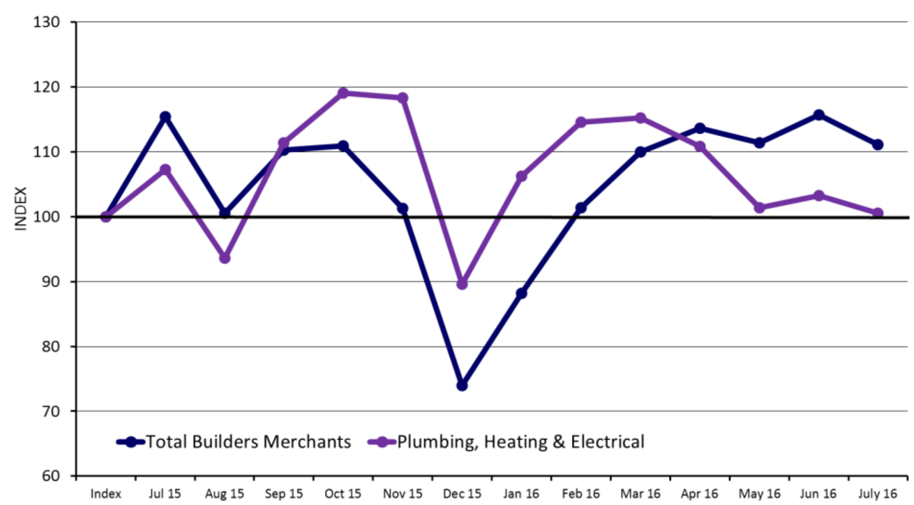
July 2016

Builders Merchant Building Index

Landscaping



Plumbing, Heating & Electrical



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Monthly Report

July 2016

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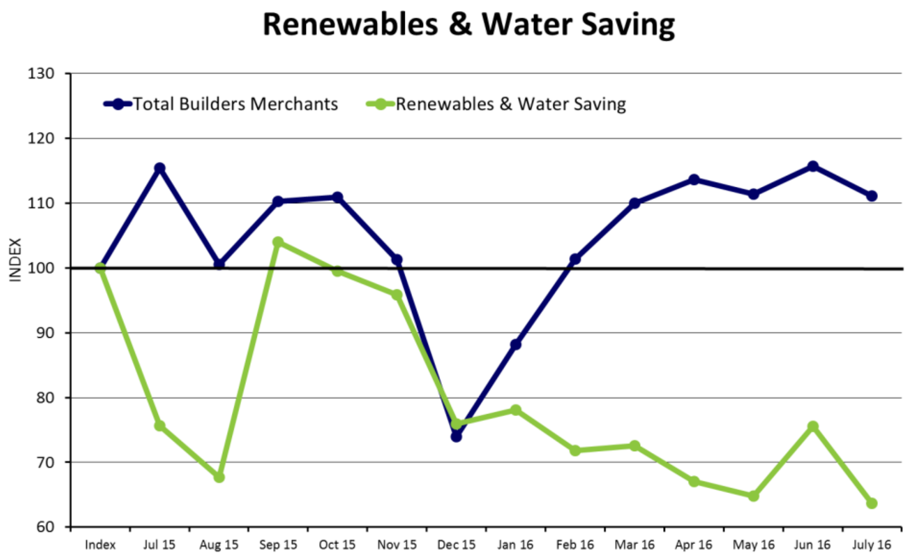
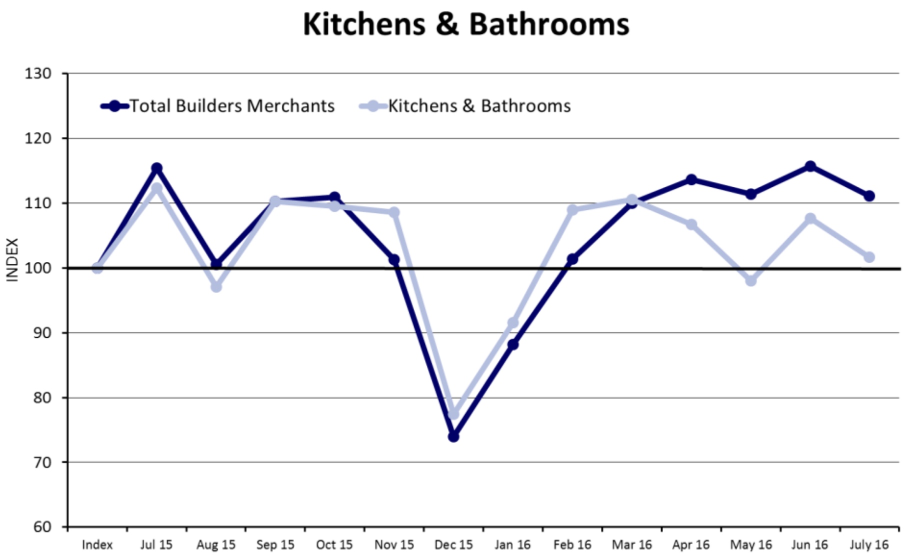


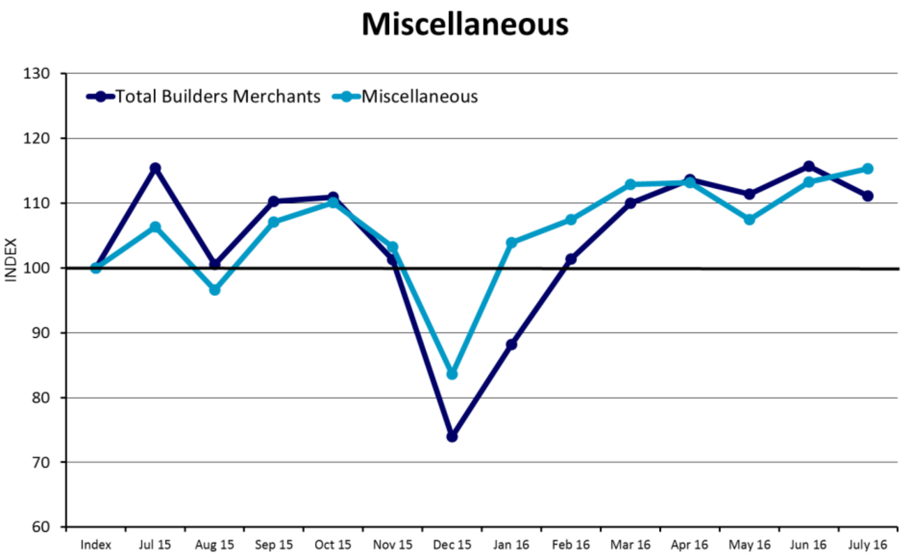


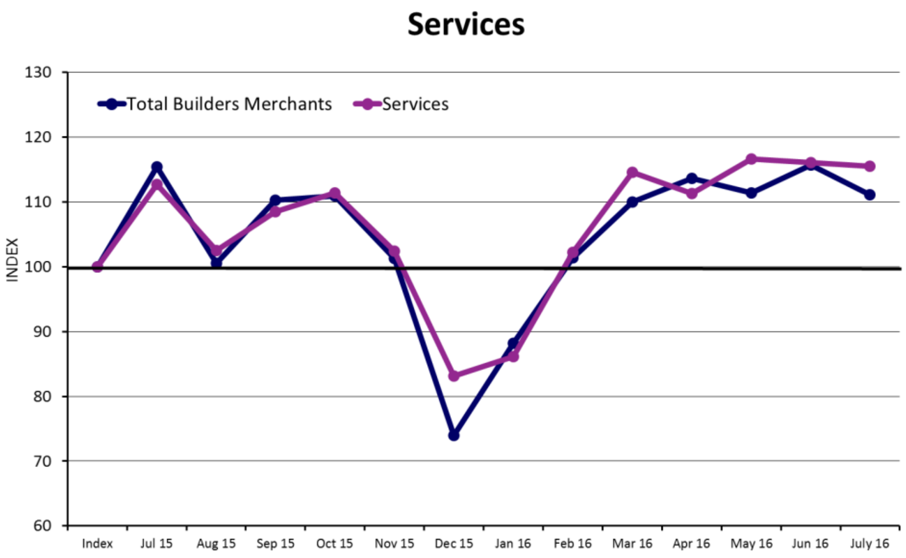
Charts indexed on July 2014 – June 2015

Monthly Report

July 2016

Builders Merchant Building Index



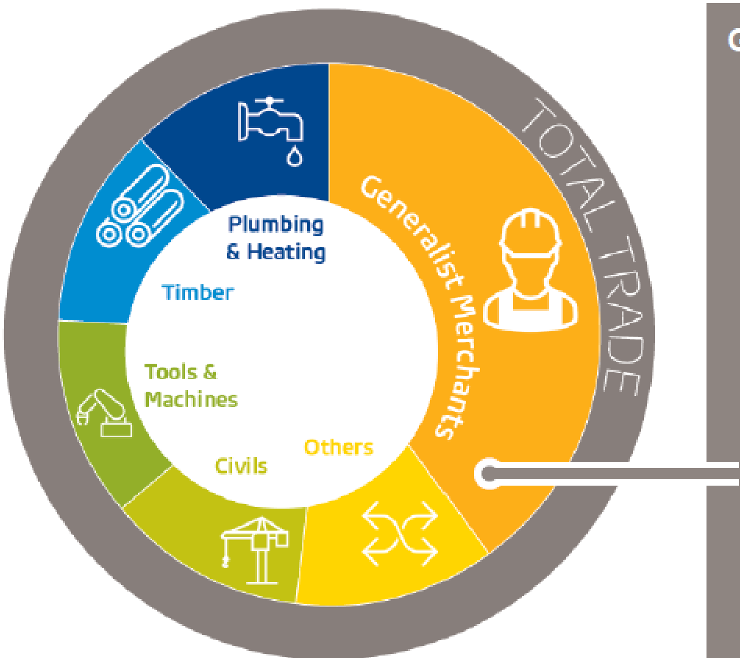


Charts indexed on July 2014 – June 2015

GfK's Panel

Generalists Builders Merchant Panel (GBMs)

The Multiple Generalist Builders Merchants Channel



Generalist Builders Merchants

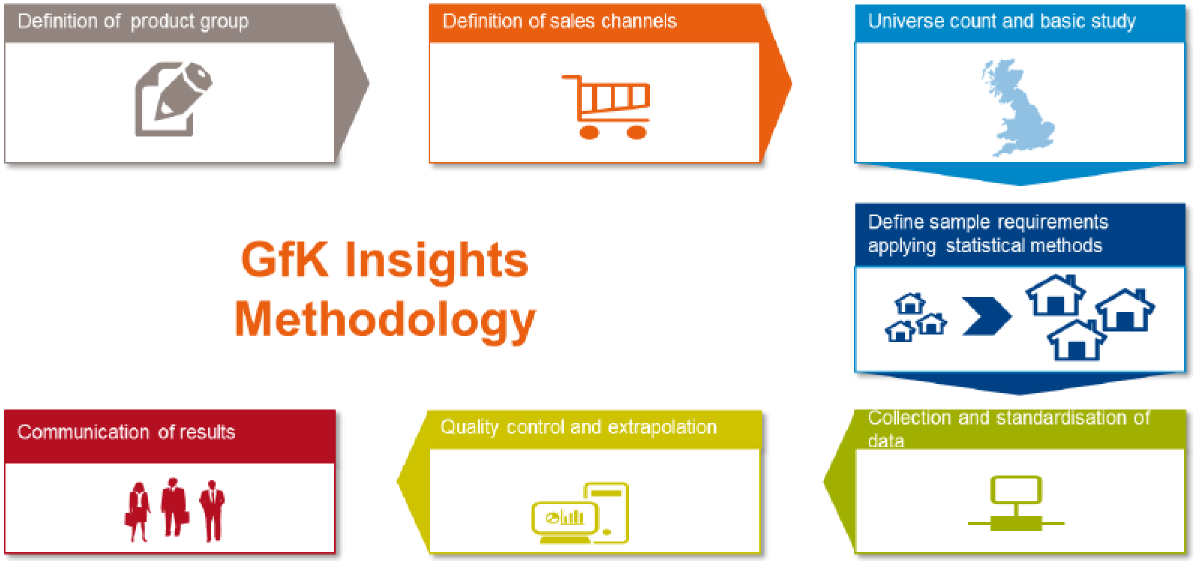
Builders Merchants handle an extended range of building materials and components (e.g. doors, windows, interior furnishing materials, insulation materials, tiles, cement, mortar, adhesives, sealants, nails, hardware products, pipes, ironware, paint) and generate their turnover with professional end users.

Multiple merchants are those defined as having more than 3 outlets or a turnover of greater than £3m p.a.

Examples include:

- National: BUILDBASE, JEWSON, Travis Perkins
- Multi Regional: EH Smith, MKM Building Supplies, gibbs & dandy
- Regional: RIDGEONS Timber & Builders Merchants, Bradfords Building Supplies, COVERS Timber & Builders Merchants

GfK Insights Methodology



GfK collect live sales-out data from our panel of merchant partners.

We add value to that data through the application of each sold product's unique technical features. We compare like-for-like products and categories from like-for-like merchants and aggregate this within our reports.

Our international methodology is based on robust scientific principles and delivers continuous, reliable information that can be applied to your business requirements.

GfK's Product Categories

Reports cover category headline values & in-depth, brand-level insights

Headline values available

Timber & Joinery Products
Timber
Sheet Materials
Cladding
Flooring & Flooring Accessories
Mouldings
Stairs & Stairparts
Window & Frames
Doors/Door Frames

Heavy Building Materials
Bricks Blocks & Damp Proofing
Drainage/Civils/Guttering
Lintels
Cement/Aggregate/Cement Accs
Concrete Mix/Products
Plasters Plasterboards And Accessories
Roofing Products
Insulation
Cement Mixers/Mixing Buckets Products
Builders Metalwork
Other Heavy Building Equipment/Material

Decorating
Paint/Woodcare
Paint Brushes Rollers & Pads
Adhesives/Sealants/Fillers
Tiles And Tiling Accessories
Decoration Preparation & Decorating Sundries
Wall Coverings

Tools
Hand Tools
Power Tools
Power Tool Accessories
Ladders & Access Equipment

Workwear And Safetywear
Clothing
Safety Equipment

Ironmongery
Fixings And Fastenings
Security
Other Ironmongery

Landscaping
Garden Walling/Paving
Driveways/Block Paving/Kerbs
Decorative Aggregates
Fencing And Gates
Decking
Other Gardening Equipment

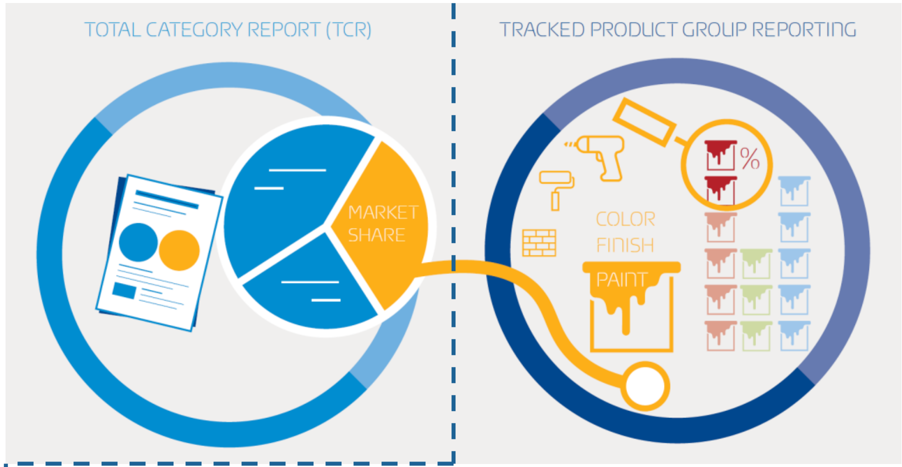
Plumbing Heating & Electrical
Plumbing Equipment
Boilers Tanks & Accessories
Heating Equipment/Water Heaters/Temperature Control/Air Treatment
Radiators And Accessories
Electrical Equipment
Lighting And Light Bulbs

Renewables And Water Management
Water Saving
Renewables & Ventilation

Kitchens & Bathrooms
Bathroom (Including Showering)
Fitted Kitchens
Major Appliances

Miscellaneous
Cleaning/Domestic/Personal
Automotive
Glass
Other Furniture & Shelving
Other Misc

Services
Toolhire / Hire Services
Other Services



In-depth product group reporting

Monthly sales values, volumes, pricing analysis & distribution facts available by brand and key product features.

For insights on your product group please contact Pete Church at GfK (pete.church@gfk.com).

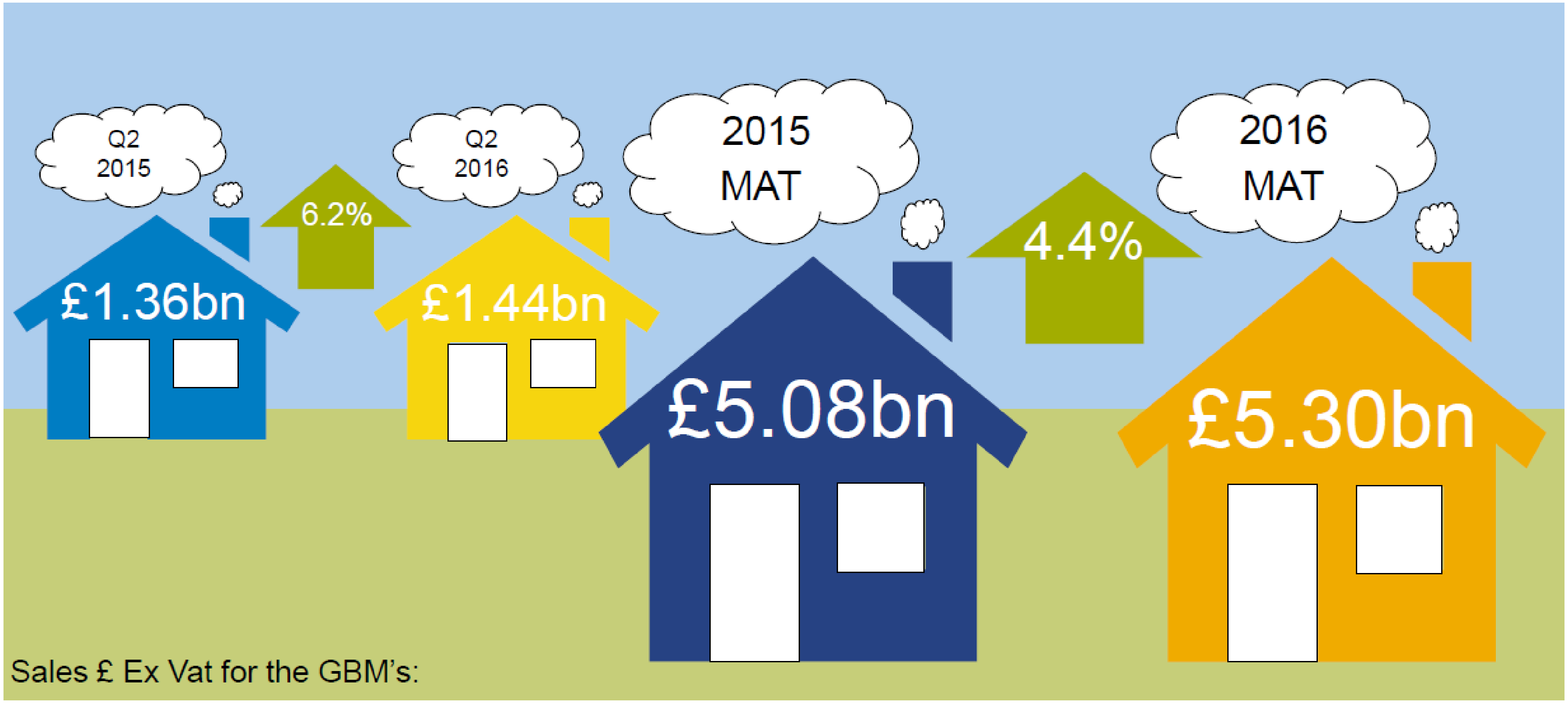
Available categories:

Heavyside
Bricks
Insulation

Lightside
Emulsion Paints (incl. Masonry & Base)
Trim Paints
Primers/Undercoats
Woodcare
Adhesives
Sealants
Fillers/PU Foam
Tile Fixing (Adhesives/Grout)

GfK Insights

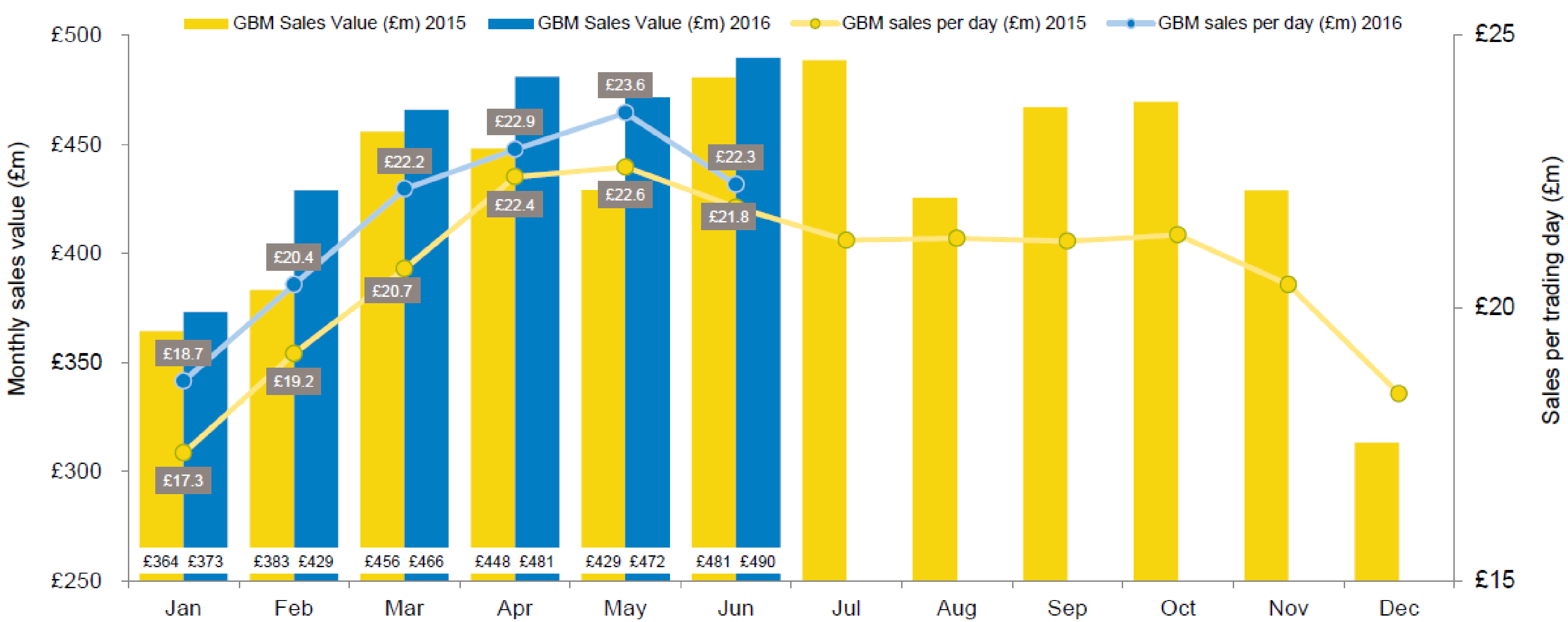
The first Moving Annual Totals (MAT) show strong year on year growth to June 2016. How will this change in the coming months?



Source: GfK's GBM TCR report. Data July 2014 to June 2016 showing £ ex Vat Value

GfK Insights

Growth continues in each month YoY.
With building projects long lead time when do we expect to see any impact from Pre and Post Brexit's cautious investment warnings? Will low borrowing rates and housing demand maintain growth rates?

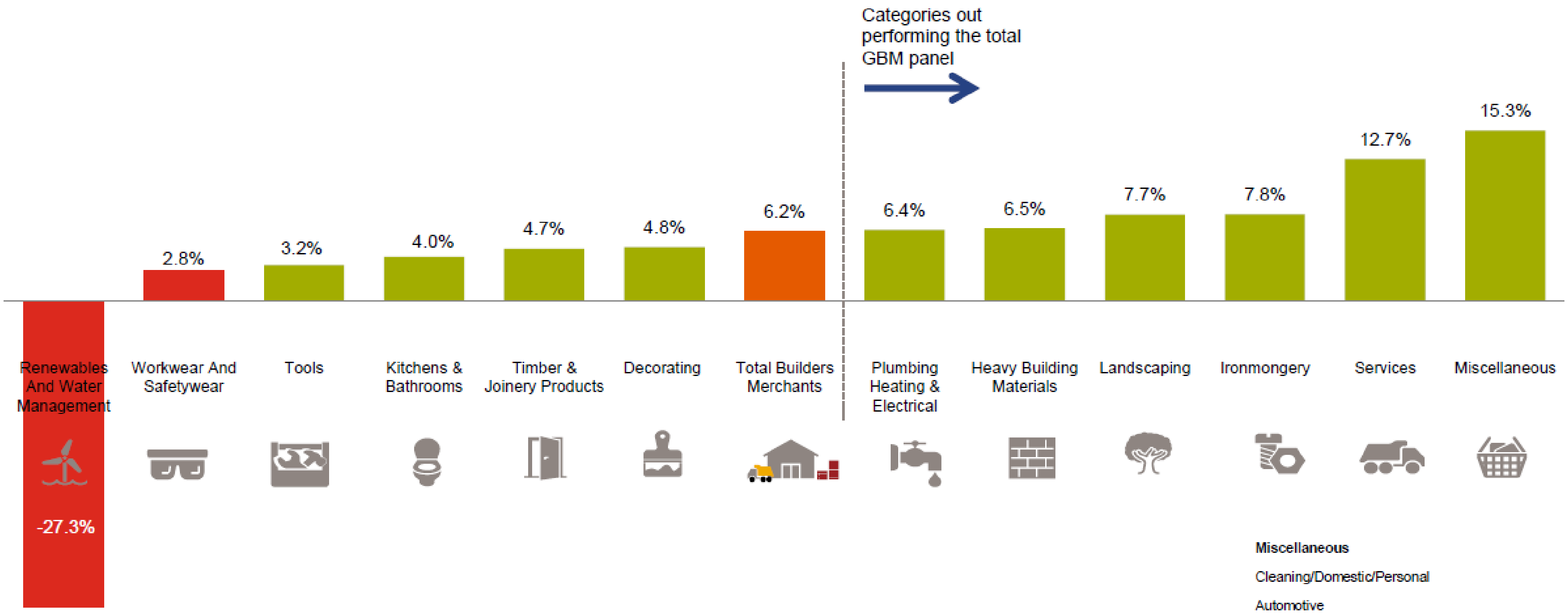


TRADING DAYS	JAN	FEB	MAR	Apr	May	June
2015	21	20	22	20	19	22
2016	20	21	21	21	20	22

Source: GfK's GBM TCR report. Data July 2014 to June 2016 showing £ ex Vat Value

GfK Insights

Quarter 2 YoY sales growth in all categories except Renewables.
Particularly strong in Ironmongery, Plumbing and Heating and Landscaping.



Miscellaneous

Cleaning/Domestic/Personal

Automotive

Glass

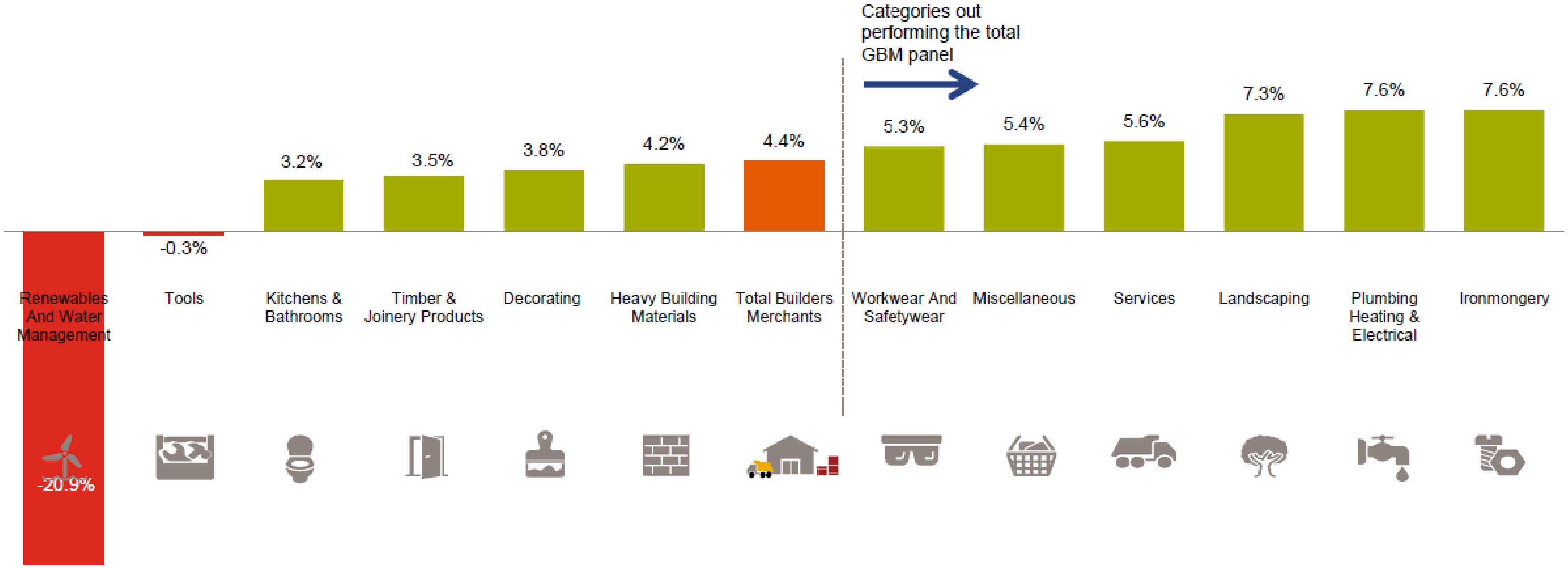
Other Furniture & Shelving

Other Misc

Source: GfK's GBM TCR report. Data July 2014 to June 2016 showing £ ex Vat Value

GfK Insights

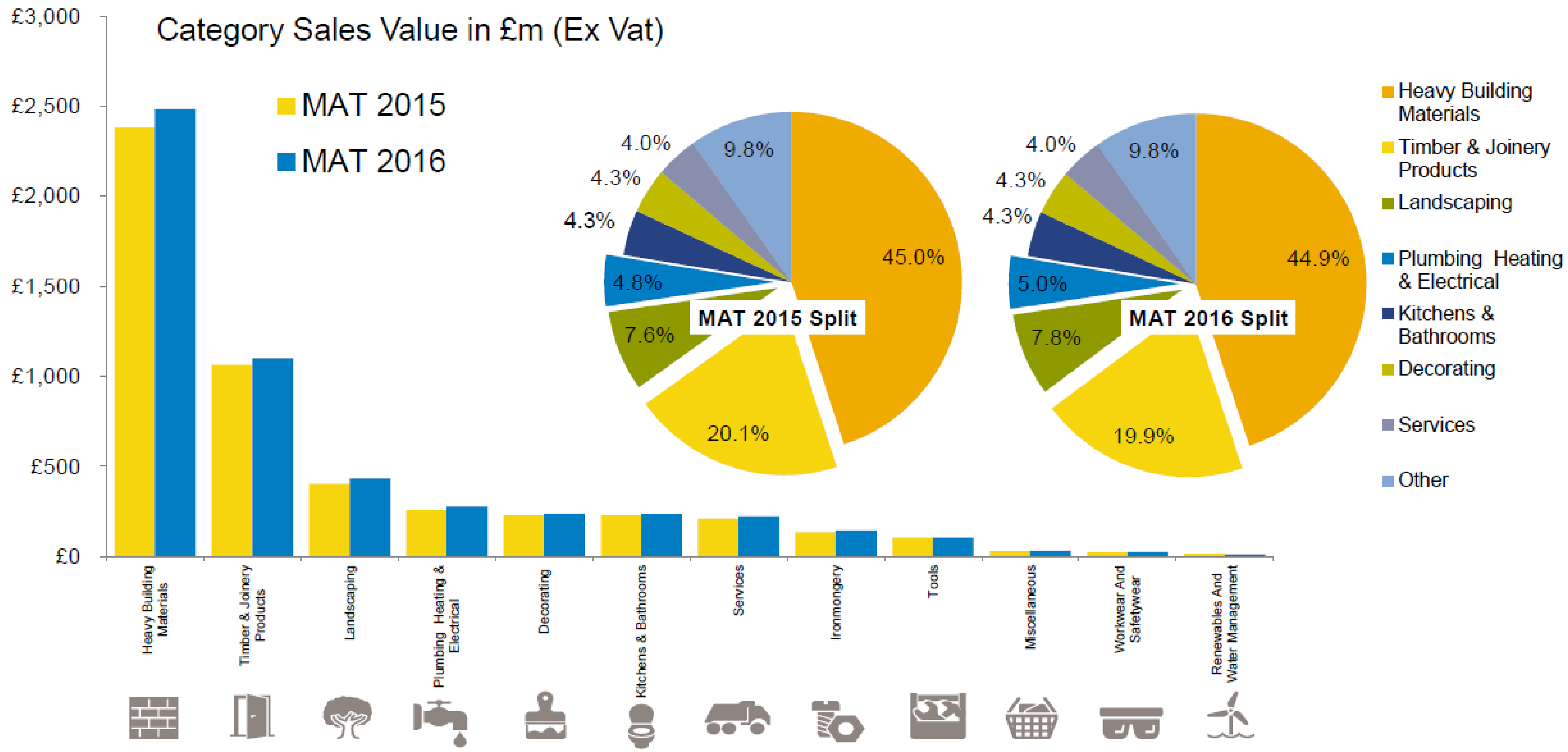
The first MAT sales show growth YoY in all categories except Renewables. Particularly strong in Ironmongery, Plumbing and Heating and Landscaping.



Source: GfK's GBM TCR report. Data July 2014 to June 2016 showing £ ex Vat Value

GfK Insights

Total GBM sales value by Category showing consistency of results YoY



Source: GfK's GBM TCR report. Data July 2014 to June 2016 showing £ ex Vat Value

GfK Insights

How can these top level insights help.

National

Travis Perkins

Multi Regional

EHSmith

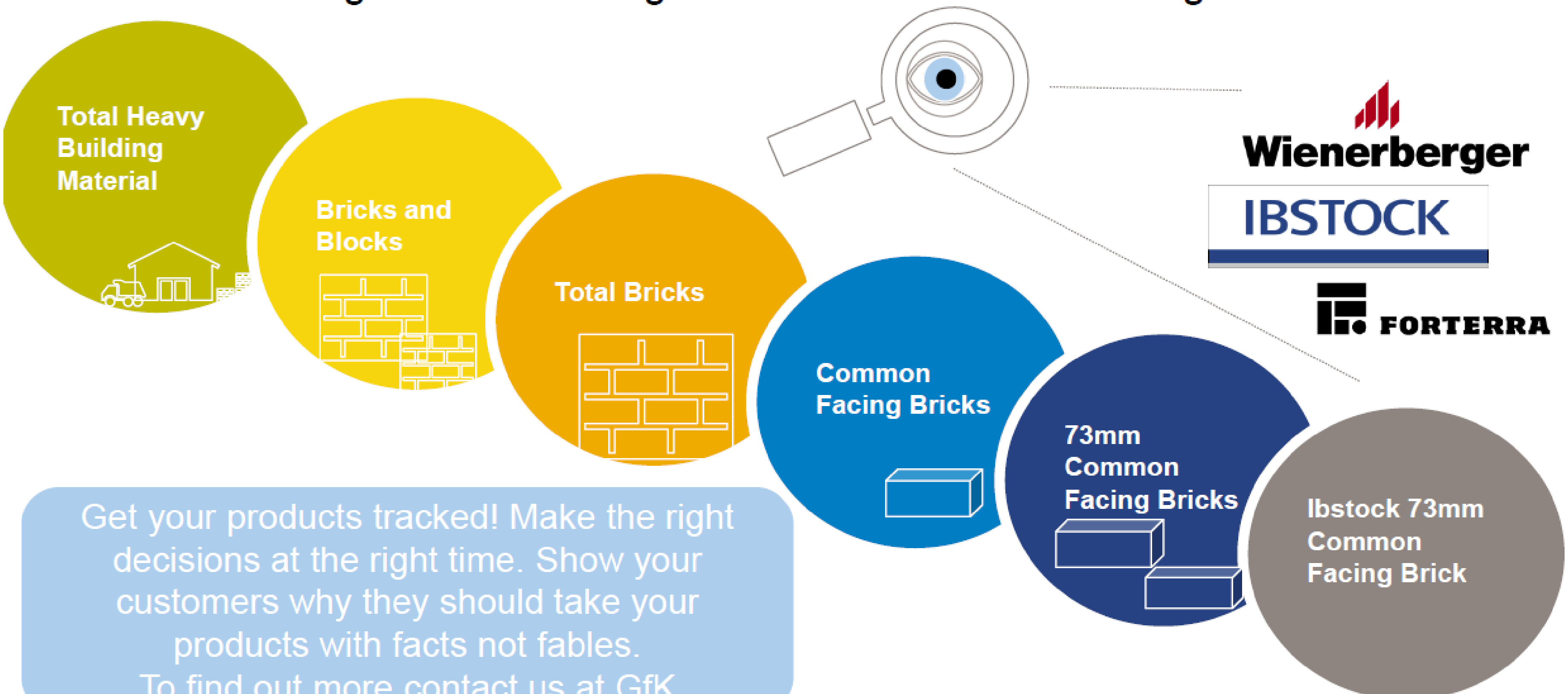
Regional

Bradfords

- Promotional planning – what and when
- Category trends - opportunities for growth
- Risk reduction – Understanding seasonality of product categories to determine best time for change
- Benchmark oneself against the channel

GfK Insights

Bricks Product Group insights at feature by brand level are now available! Enabling informed strategic and tactical decision making.



Get your products tracked! Make the right decisions at the right time. Show your customers why they should take your products with facts not fables.
To find out more contact us at GfK

Macro factors impacting Merchants

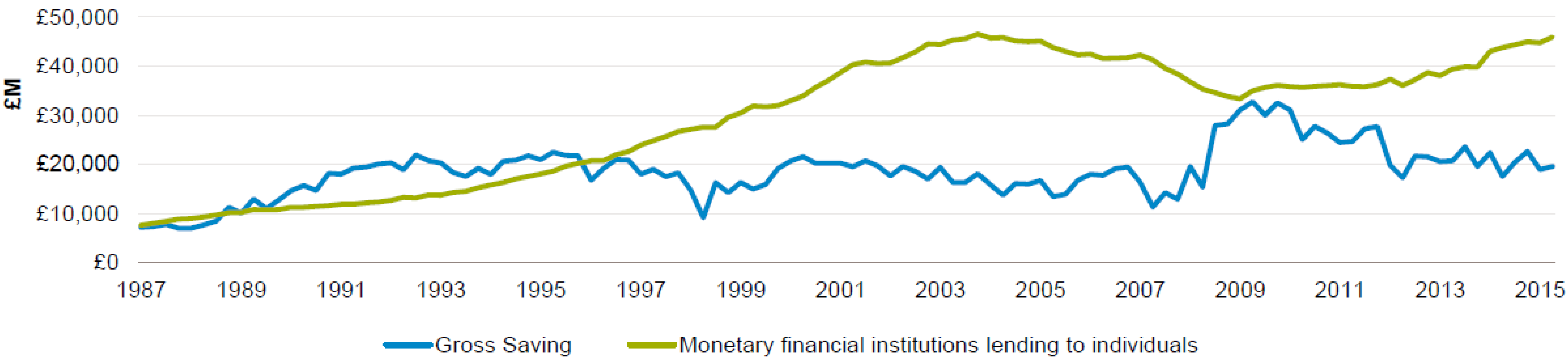
Comparing borrowing to saving

Quarterly savings (household) and quarterly unsecured gross lending (individuals)

- While borrowing has always outpaced saving, between 1997 and 2005 a large disparity developed
- This disparity is occurring again as we enter 2016

- Saving reached a low as fear of bank losses peaked, then grew as fear of unstable spending conditions peaked.
- Over recent years, the gap between borrowing and saving is once again beginning to widen as lendings outstrip savings.

- Lending to individuals increased 4.9% in Q1 2016 compared to the same quarter in the previous year.
- Q1 2016 Savings increased by 11.4% compared to Q1 2015



Source: Office for National Statistics

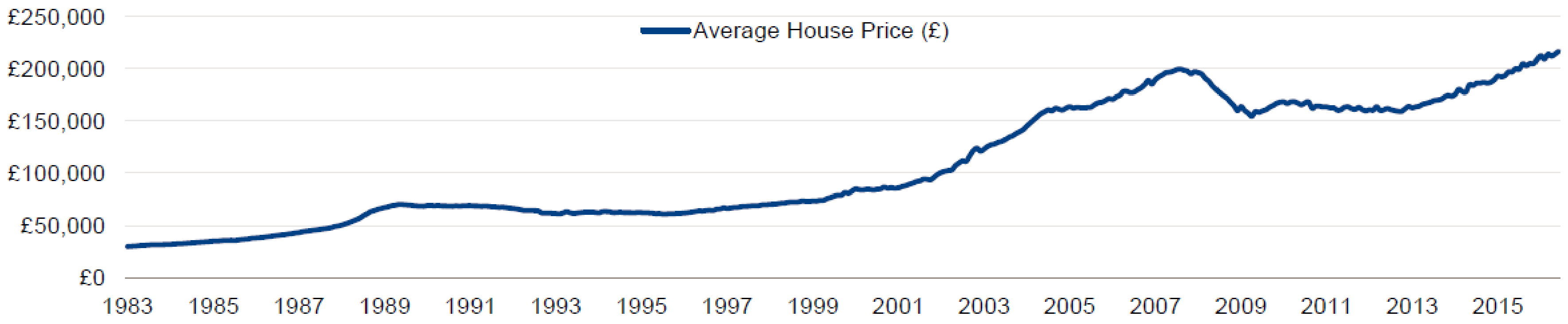
Macro factors impacting Merchants

Standardised average house prices

Average Price (year end)		
1995	£62,374	-10%
2000	£84,868	+36%
2005	£163,139	+92%
2010	£168,390	+3%
2013	£174,220	+3%
2014	£189,426	+8%
2015	£208,286	+10%

- Housing demand continues to be supported by an economic recovery that is gathering pace, with employment levels growing and rising consumer confidence, although real earnings growth remains sluggish

- At the end of June 2016, the average house price in the UK was £216,823. An increase of 1.3% on the previous month
- The annual rate of house price growth fell to 8.4% the lowest level for 11 months



Source: Lloyds Banking Group plc

Macro factors impacting Merchants

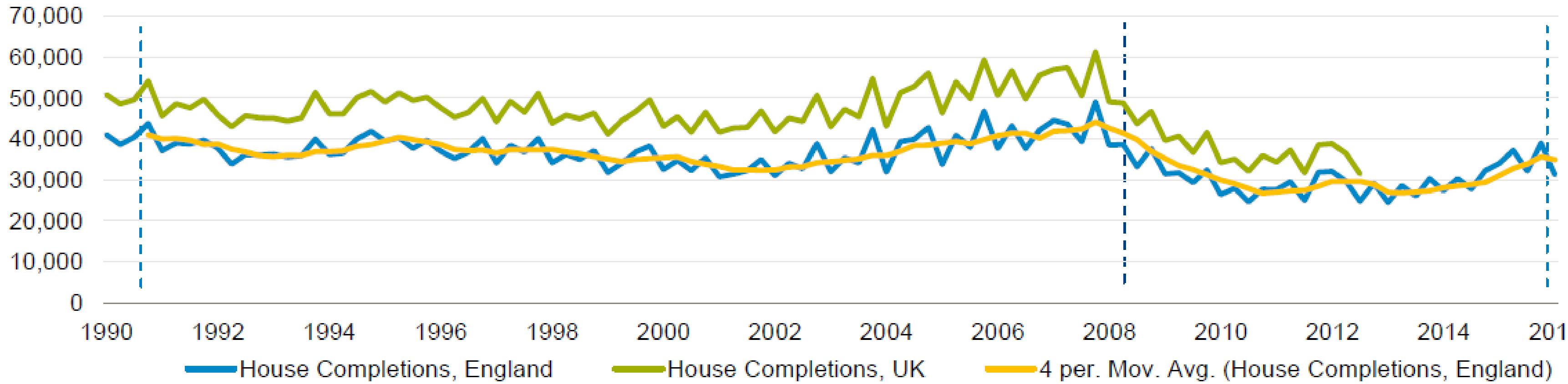
New house builds

Quarterly

- Home construction dropped off from the 2007 high, with a large number of construction firms leaving the market. As a result we are now seeing housing price uplifts, as the supply of affordable housing is not meeting current demand

- Looking at a 4 period moving average, the recent trend of continued growth may be beginning to end in 2016

- In Q1 2016, 31,240 permanent dwellings were completed, compared to a Q1 2015 figures of 34,110 (-8.4%)

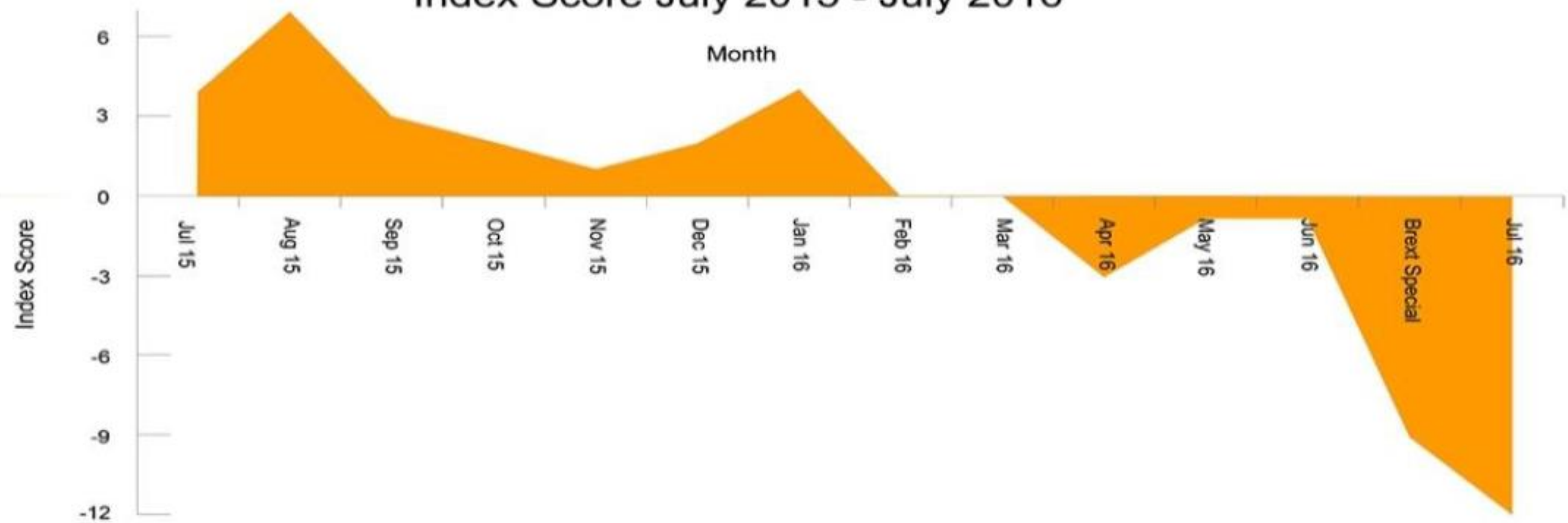


Source: GOV.UK

Macro factors impacting Merchants

Brexit causes dramatic 11-point drop in consumer confidence to -12

Index Score July 2015 - July 2016

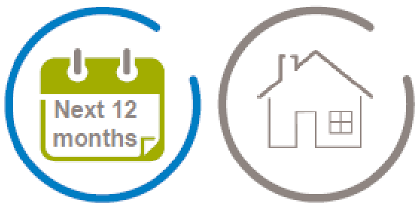


	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Brexit Special	Jul 16
CCB Index Score	4	7	3	2	1	2	4	0	0	-3	-1	-1	-9	-12

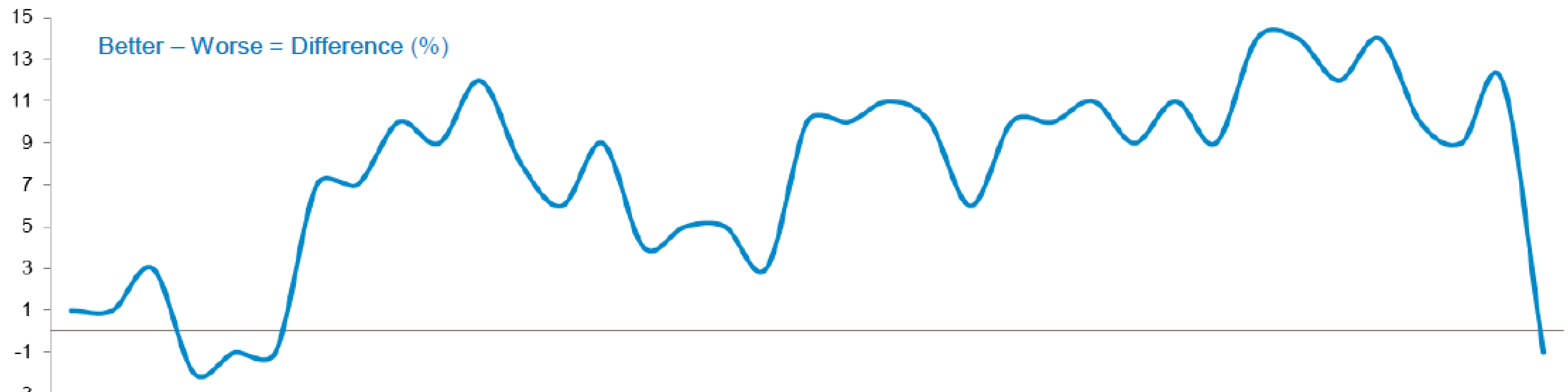
Source: GfK Consumer Confidence Barometer on behalf of the European Commission (July 2016)

Macro factors impacting Merchants

Consumer Confidence Barometer



How do you think your household's financial position will change over the next twelve months?

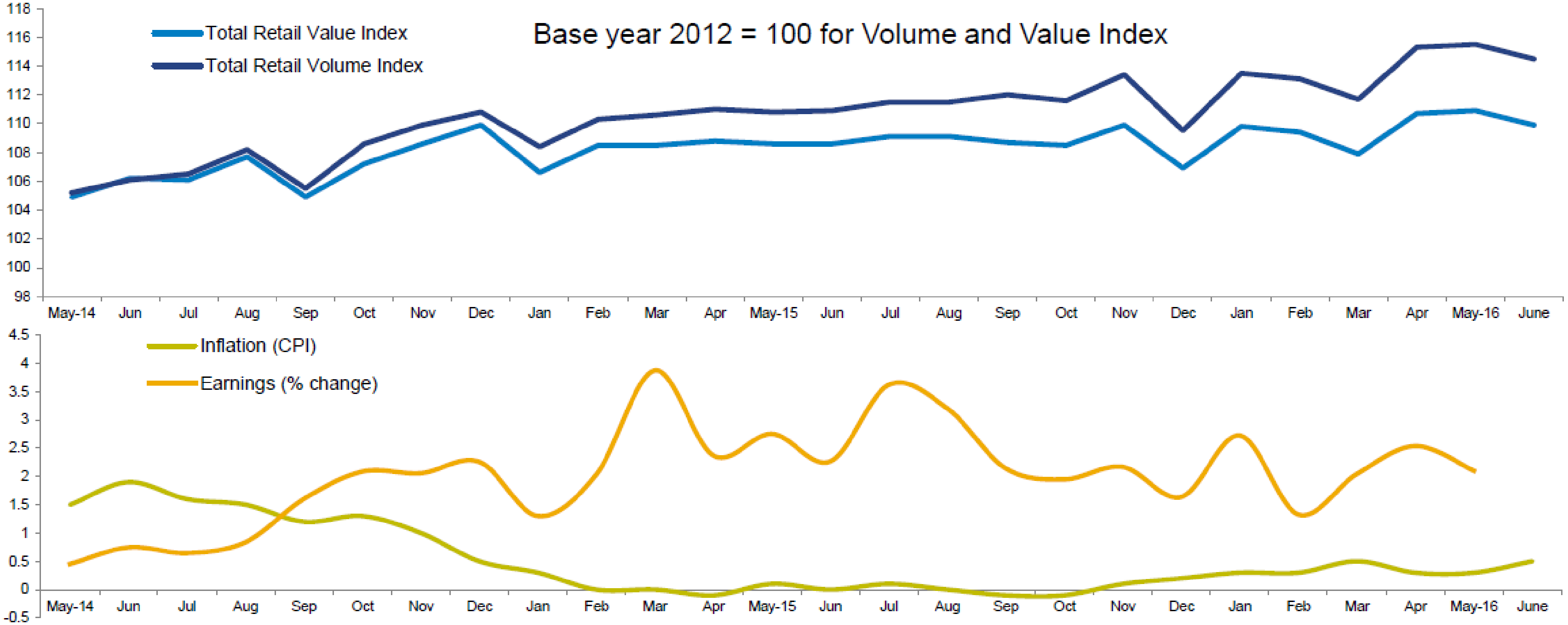


	J13	A13	S13	O13	N13	D13	J14	F14	M14	A14	M14	J14	J14	A14	S14	O14	N14	D14	J15
Difference (%)	1	1	3	-2	-1	-1	7	7	10	9	12	8	6	9	4	5	5	3	10
Better	25	25	25	25	25	25	27	27	29	28	30	28	27	28	26	28	27	26	31
Same	48	47	49	45	46	46	49	50	48	51	48	48	48	49	48	45	47	48	45
Worse	24	24	22	27	26	26	20	20	19	19	18	20	21	19	22	23	22	23	21

	F15	M15	A15	M15	J15	J15	A15	S15	O15	N15	D15	J16	F16	M16	A16	M16	J16	J16
Difference (%)	10	11	10	6	10	10	11	9	11	9	14	14	12	14	10	9	12	-1
Better	31	32	31	29	32	33	33	31	33	31	35	35	34	36	34	31	33	28
Same	45	44	44	44	43	41	42	44	42	44	41	41	41	39	39	44	43	40
Worse	21	21	21	23	22	23	22	22	22	22	21	21	22	22	24	22	21	29

Macro factors impacting Merchants

Wage Inflation in decline, Inflation growing, continued gap between Volume and Value within the Retail Index showing price pressures. Will the recent cut in Interest Rates maintain demand? Quarter 3 will give the best indications.



How will this effect building projects?

Source: Office for National Statistics Retail Index

Contact Us

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