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one **voice**”

# Builders Merchant Building Index



Quarter 1, 2017

CIM

MARKETING  
EXCELLENCE  
AWARDS 2017



FINALIST  
BEST USE OF DATA AND INSIGHT - LARGE

# Building the Industry & Building Brands from Knowledge



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# Introduction

**John Newcomb,**  
**Managing Director BMF**



This Builders Merchant Building Index (BMBI) report contains data from GfK's ground-breaking Builders Merchants Panel, which analyses data from over 80% of generalist builders' merchants' sales throughout Great Britain. GfK's Builders Merchant Point of Sale Tracking Data sets a gold standard in reliable market trends. Unlike data from sources based on estimates, or sales from suppliers to the supply chain, this up-to-date data is based on actual sales from merchants to builders and other trades.

BMBI trend data 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 insights than that available to other construction sectors.

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.

## **New Expert joins BMBI**

This quarter Malcolm Gough, Group Sales & Marketing Director Natural Paving joins our Expert panel to provide valuable commentary as the BMBI Expert for Natural Stone Landscaping Products, Vitriified Paving & Artificial Grass.

## **More data available**

This BMBI report provides valuable top-level indices but there's considerably more data available. GfK insights go much deeper and include sales value data. GfK can quantify market values and drill down into contributing categories, tracing product group performance, to focus on aspects that are critical to you.

GfK can also produce robust like-for-like market comparability tailored to the requirements of an individual business. As more merchants join 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 acquiring data or getting involved should contact Ricky Coombes at [Ricky.Coombes@gfk.com](mailto:Ricky.Coombes@gfk.com).

The BMBI website enables you to compare Landscaping trends 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](http://www.bmbi.co.uk). Follow us and the Experts [@theBMBI](https://twitter.com/theBMBI).

# Overview and Insights

## Ricky Coombes, Channel Account Manager GfK



### A good start to 2017 for Generalist Merchants and a positive outlook despite the uncertainty.

The current outlook for the Repair, Maintenance and Improvement sector is positive, with a backlog of project orders. The new build market is healthy and in Q1 2017 we saw the highest level of new home registrations in 10 years<sup>1</sup>. However, with an upcoming General Election and Brexit negotiations still to begin, the longer-term is uncertain. Stability in the property market is needed and delivery on promises such as social housing from the Conservatives or improved quality of rented homes from Labour will benefit the channel alongside pre-existing incentives and accessibility to finance.

Anticipated price increases could lead to even more price-savvy trade customers looking for the best deals, shopping for bricks or insulation in the same way they do their next 50" TV. That bodes well for merchants who have developed an online strategy and ensure they are competitively priced.

Increasing home improvement costs and inflation growing faster than wages may impact consumers' intentions to spend. However, as property transactions slow, consumers may invest in their current homes making them fit for purchase when trends pick up, contributing to why we see consumers' intentions to spend on property/renovation in the next 12-24 months at their highest levels in 10 years<sup>2</sup>.

Continued downward trends in the housing market would have significant implications for merchants. March saw the weakest house price growth rate since Oct-13 and transactions in Q1 2017 were 20% down year-on-year<sup>3</sup>, meaning less significant investment in newly purchased properties. Something to watch.

Focussing on generalist merchants, 2017 has started well, but a late Easter meant two more trading days in March 2017 vs 2016, generating slightly artificial total sales growth of 11.4%. That's still 1.7% growth per trading day<sup>4</sup>. With two fewer days in April we expect much slower growth in the next report.

March's strong performance coupled with a warmer, drier period were key to a 5.9% sales growth on Q1 2016 (+2.6% per trading-day)<sup>2</sup>. Tools (+8.8%) and Ironmongery (+7.2%) were the fastest growing categories this quarter. While the ability to start external works in a warmer, drier winter meant Timber & Joinery (+6.7% - driven by Timber and Sheet Materials); Landscaping (+6.7% - Block Paving/Kerbs); and Heavy Building Materials (+6.2% - Bricks/Blocks and Insulation) all saw growth greater than the total channel<sup>4</sup>.

Sources: <sup>1</sup>ONS. <sup>2</sup>GfK Consumer Confidence Barometer April 2017. <sup>3</sup>HMRC. <sup>4</sup>GfK Total Category Report – Mar-17.

“March’s strong performance coupled with a warmer, drier period were key to a 5.9% sales growth on Q1 2016”

# Merchants' View

## John Newcomb, Managing Director BMF



**For the majority of builders' merchants, the positive market trend experienced throughout the last three years continued into 2017, with Q1 reporting strong year-on-year growth against the same period in 2016.**

Trading was undoubtedly helped by a mild, dry winter, allowing building work to continue unimpeded by inclement weather. Nonetheless, and despite the background of political uncertainty surrounding Brexit and now the General Election, the sentiment both amongst builders' merchants and their SME builder customers is optimistic.

The results from GfK's general builders' merchants' panel are in line with the BMF's own Sales Indicators and the Federation of Master Builders' (FMB) State of Trade Survey of SME builders in Q1. The BMF Sales Indicators recorded a year-on-year increase of 7.3%, after adjusting for price inflation and trading day differences. While all the key metrics of growth in the FMB Survey – workloads, enquiries, employment, expectations – were positive.

The builders' merchants main customer group, SME builders, appears to be confident about continuing workload. However, all Q1 data was gathered before Theresa May called a snap election. Many think the result is a foregone conclusion, but the recent history of elections around the western world has shown this is not always the case. In any event, there is always a period of uncertainty leading up to a national vote when people put plans on hold pending the outcome. We may well see a degree of stagnation in Q2 until the colour and shape of the new government is clear.

Another potential fly in the ointment is the spectre of price inflation. In addition to its impact on building material prices, it may also curtail the spending power of consumers in the home improvement market.

That said, the degree of confidence demonstrated in GfK's data, our own Sales Indicators and the FMB State of Trade survey currently points to another strong year overall. Furthermore, every one of the major political parties acknowledges the need for more housing both for sale and rent. Their manifestos all include plans to build many thousands of new homes during the next five years, which will have a positive impact on our industry's continued growth.

“...the degree of confidence demonstrated in GfK's data, our own Sales Indicators and the FMB State of Trade survey currently points to another strong year overall”

# Monthly: Index and Categories


## March 2016\* – March 2017

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



VALUE EX VAT £	Index	2016										2017		
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
<b>Total Builders Merchants</b>	<b>100</b>	<b>110.0</b>	<b>113.6</b>	<b>111.4</b>	<b>115.7</b>	<b>111.1</b>	<b>113.7</b>	<b>113.8</b>	<b>112.3</b>	<b>113.6</b>	<b>77.1</b>	<b>94.7</b>	<b>100.5</b>	<b>122.8</b>
Timber & Joinery Products	100	107.1	108.9	106.0	112.1	107.8	112.2	113.3	112.8	113.7	76.1	99.1	100.9	121.2
Heavy Building Materials	100	110.1	114.3	111.7	116.2	111.9	114.4	114.6	113.4	114.1	77.0	94.0	100.1	123.0
Decorating	100	106.6	107.5	105.4	108.1	107.8	112.5	109.8	108.3	110.4	76.3	92.8	97.0	115.6
Tools	100	104.1	106.9	99.8	104.0	101.5	102.4	104.6	106.5	111.3	74.8	97.6	101.7	120.7
Workwear & Safetywear	100	105.5	96.3	96.5	107.6	98.5	98.6	101.0	110.9	133.2	72.6	109.5	102.7	114.1
Ironmongery	100	113.0	112.8	110.9	112.8	111.0	115.8	119.8	118.0	119.9	84.6	107.5	109.4	129.2
Landscaping	100	115.7	137.7	144.2	144.7	132.0	129.2	119.9	110.2	97.2	62.4	71.0	87.7	129.5
Plumbing, Heating & Electrical	100	115.2	110.8	101.4	103.3	100.5	103.6	111.7	116.0	132.4	94.0	114.9	116.1	128.7
Renewables & Water Saving	100	72.5	67.1	64.8	75.5	63.7	63.1	72.8	61.2	73.4	42.4	68.1	76.2	90.3
Kitchens & Bathrooms	100	110.5	106.7	98.0	107.6	101.7	105.3	111.4	109.4	121.7	83.8	98.1	110.2	123.6
Miscellaneous	100	112.9	113.1	107.4	113.3	115.3	114.5	115.7	113.6	122.2	92.6	113.2	108.8	124.4
Services	100	114.6	111.3	116.7	116.1	115.5	115.2	111.1	108.3	107.1	81.3	87.8	95.0	115.0

\*Click the web link below to see the complete series of indices from July 2015.


**Source: GfK's**  
 Builders Merchants  
 Total Category Report  
 July 2015 to March 2017

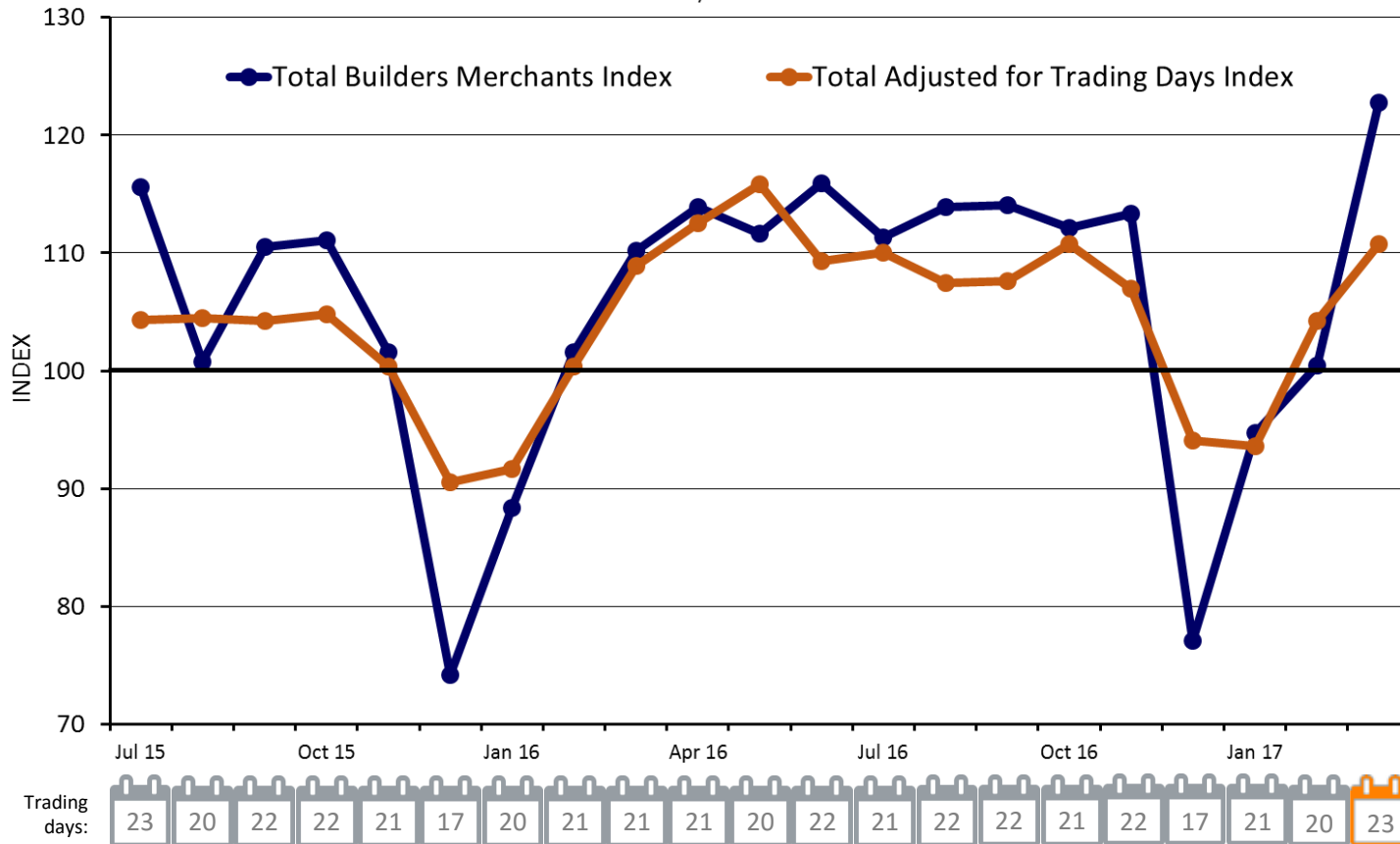


# Monthly: Index

## Adjusted and unadjusted for trading days

### Total Builders Merchants Index v Total Adjusted for Trading Days Index

Indexed on July 2014 - June 2015



 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to March 2017

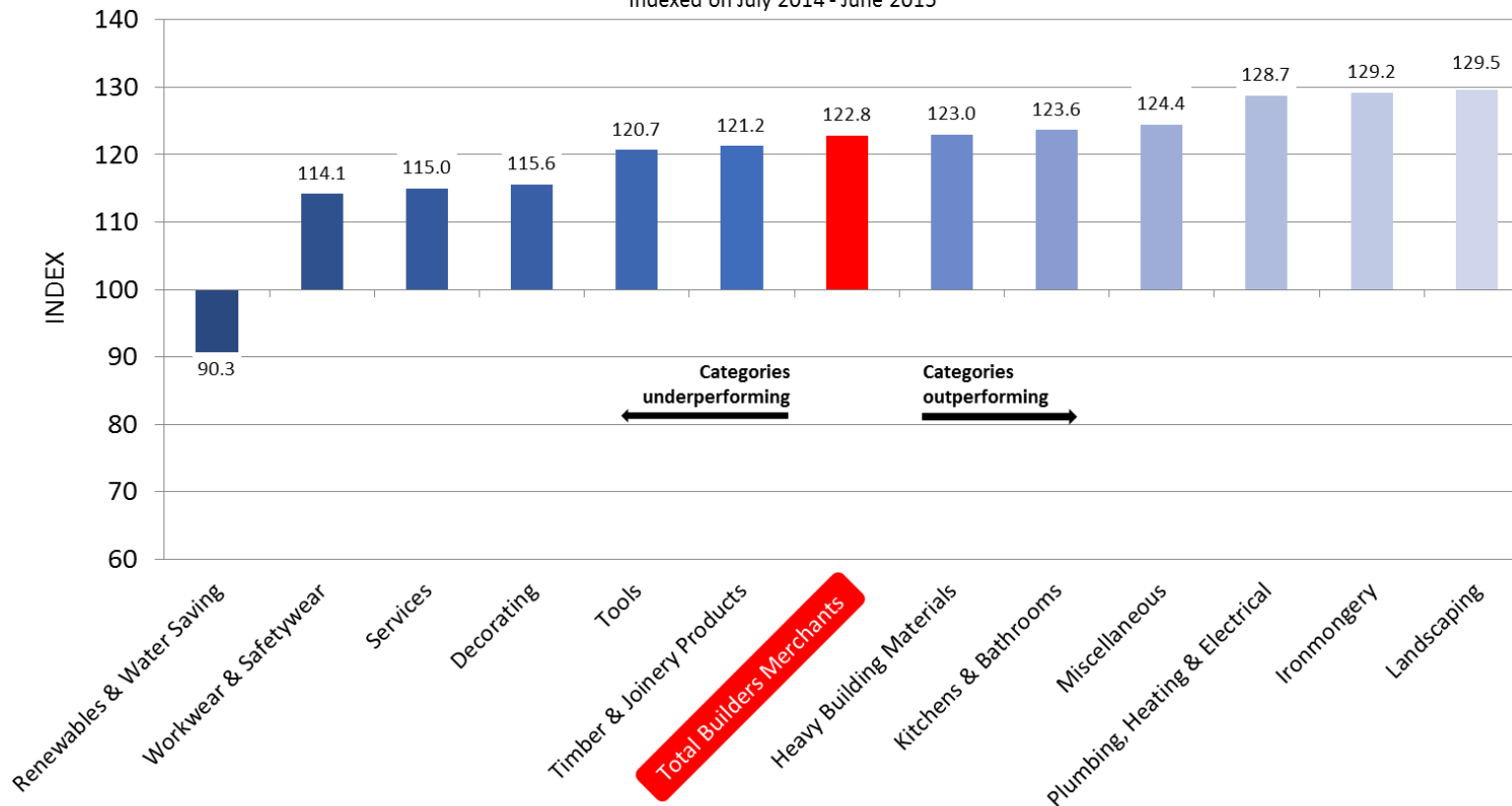
# Monthly: Index and Categories

## March 2017 index



### March 2017

Indexed on July 2014 - June 2015

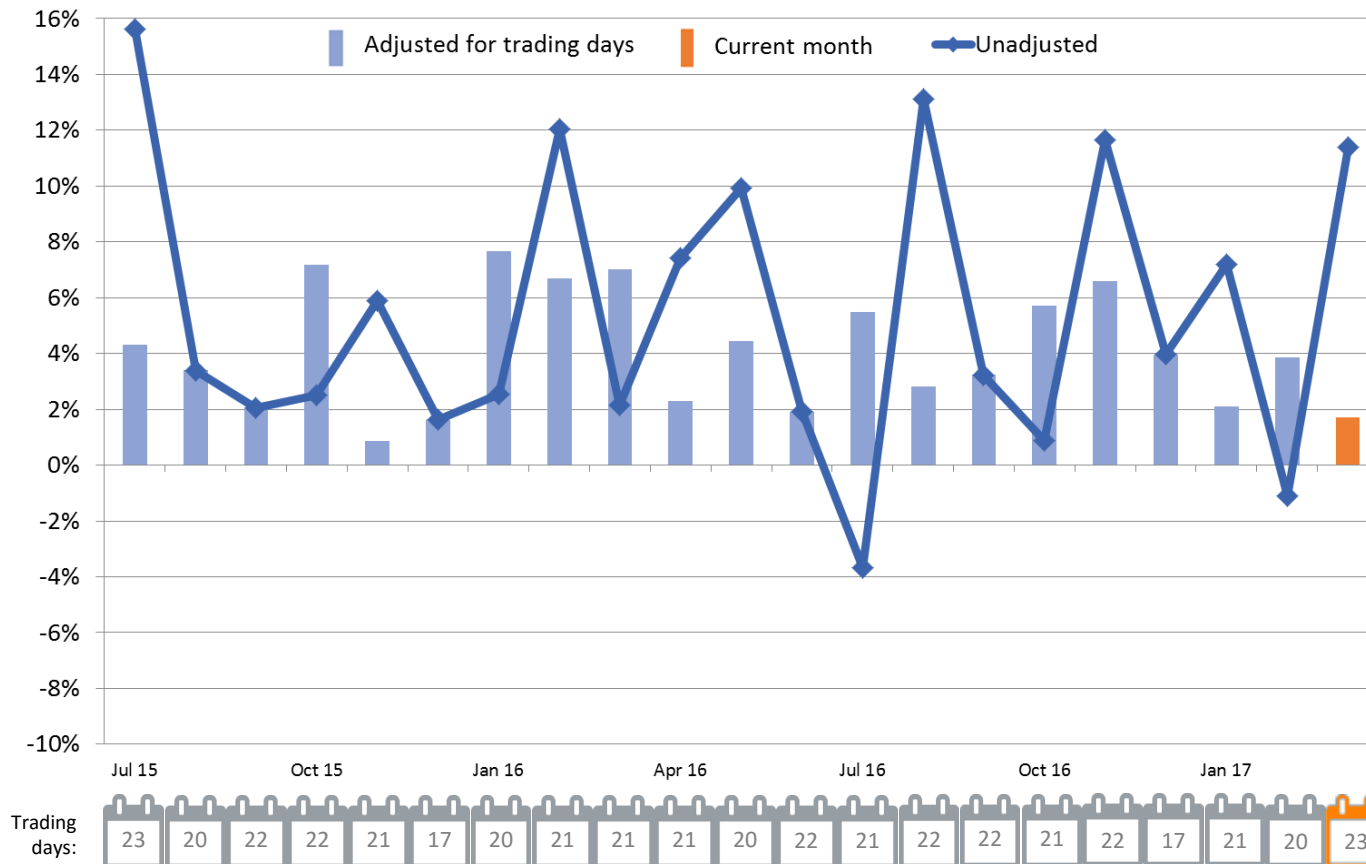


 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to March 2017

# Monthly: Sales Indices

## Adjusted and unadjusted for trading days

### Monthly: Year on Year

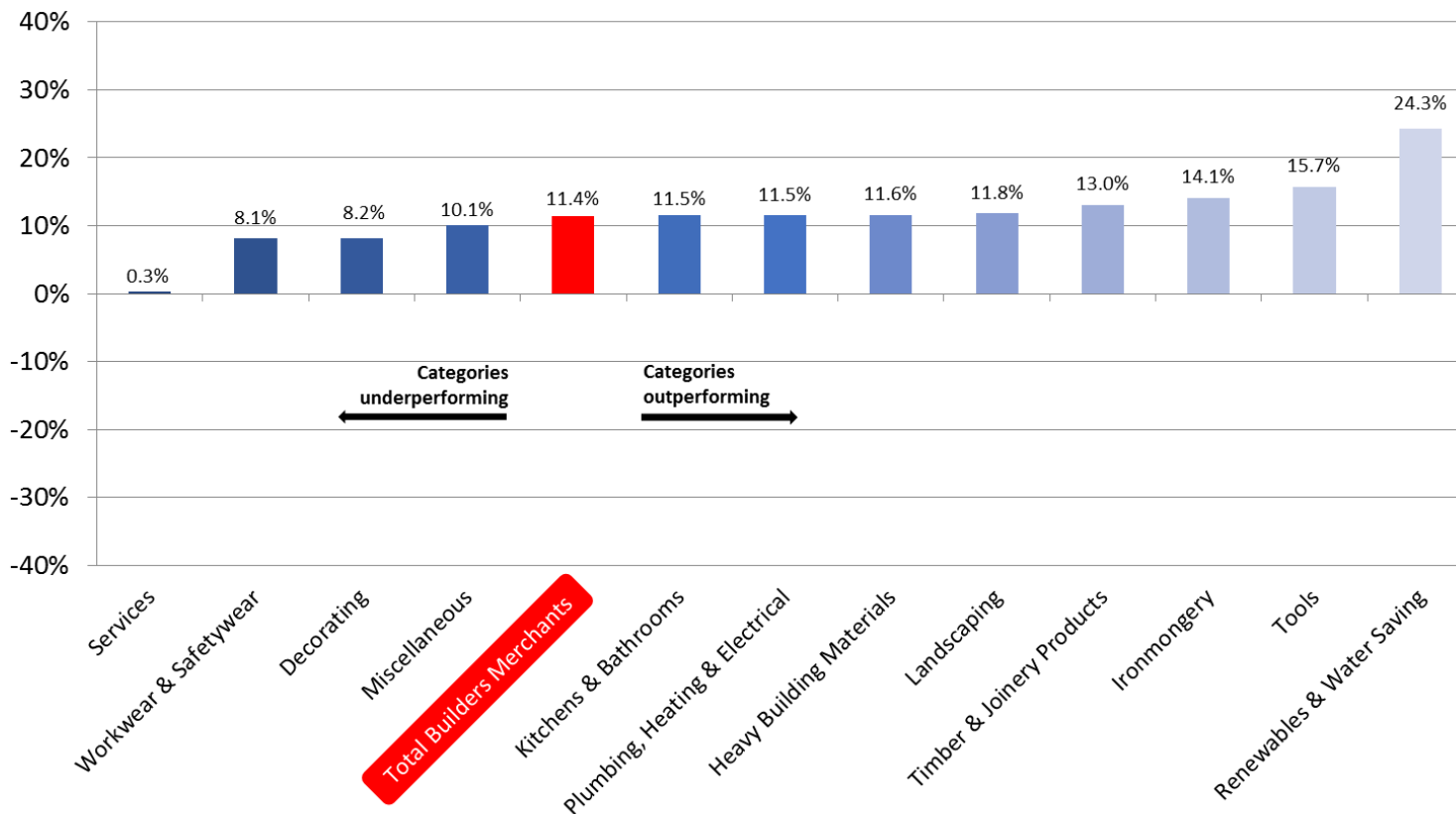


 Source: GfK's Builders Merchants Total Category Report July 2015 to March 2017

# Monthly: This Year v Last Year

## March 2017 sales indices

### March 2017 index v March 2016 index



 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to March 2017

# Monthly: This Year v Last Year

## March 2017 average sales per day indices

### March 2017 index v March 2016 index

Average sales per day indices

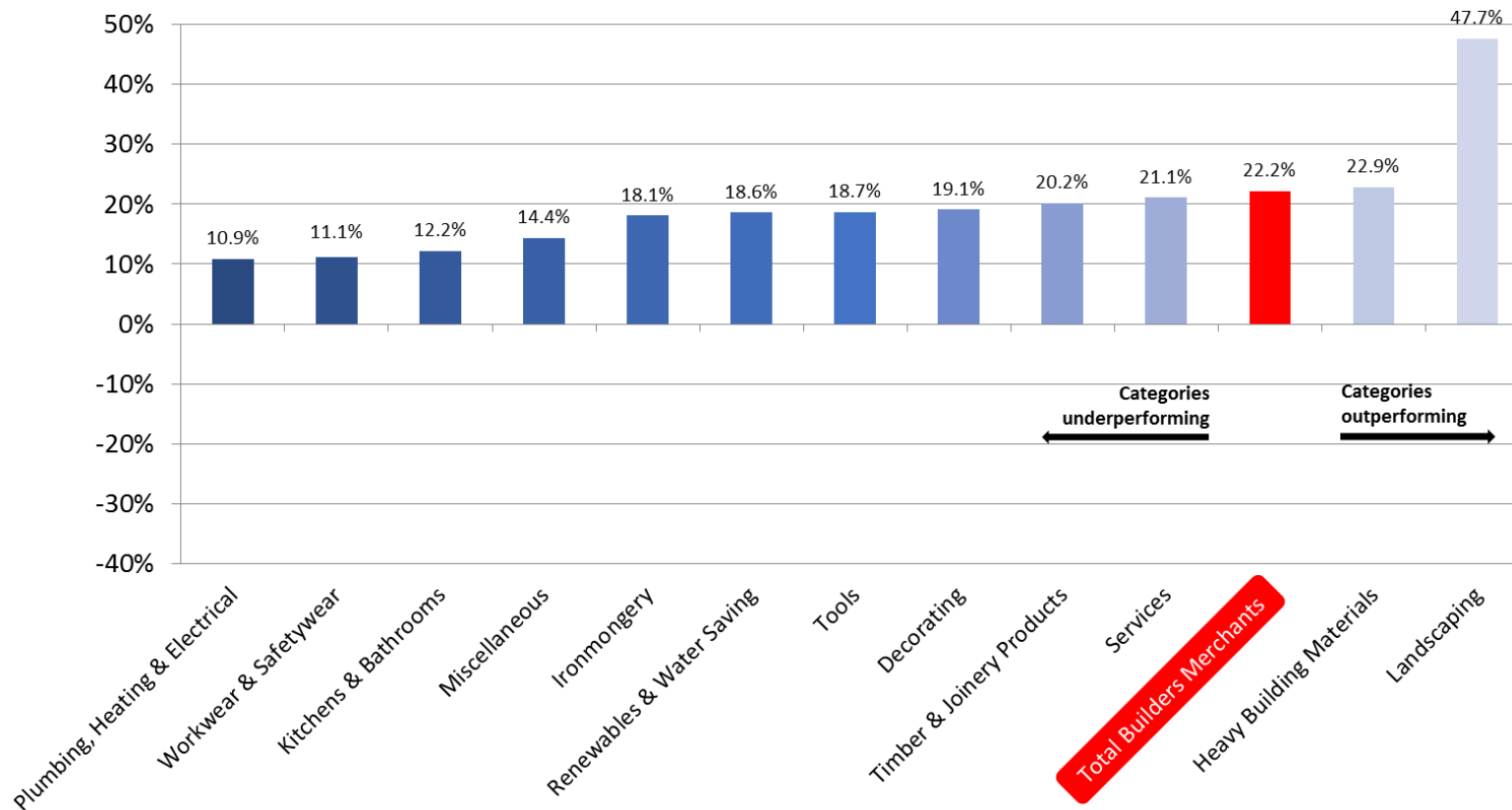


 Source: GfK's Builders Merchants Total Category Report July 2015 to March 2017

# Monthly: This month v last month

## March 2017 sales indices

### March 2017 index v February 2017 index



 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to March 2017

# Quarterly: Index and Categories


## Quarter 1 2016\* to Quarter 1 2017

(Indexed on July 2014 to June 2015)



VALUE EX VAT £	Index	Q1, 2016	Q2, 2016	Q3, 2016	Q4, 2016	Q1, 2017
<b>Total Builders Merchants</b>	<b>100</b>	<b>99.8</b>	<b>113.6</b>	<b>112.9</b>	<b>100.9</b>	<b>106.0</b>
Timber & Joinery Products	100	100.0	109.0	111.1	100.7	107.1
Heavy Building Materials	100	99.3	114.1	113.6	101.4	105.7
Decorating	100	99.6	107.0	110.0	98.2	101.8
Tools	100	97.8	103.5	102.8	97.3	106.7
Workwear & Safetywear	100	108.2	100.1	99.4	105.5	108.8
Ironmongery	100	107.5	112.2	115.5	107.4	115.3
Landscaping	100	89.9	142.2	127.0	89.8	96.1
Plumbing, Heating & Electrical	100	112.0	105.2	105.3	113.9	119.9
Renewables & Water Saving	100	74.1	69.1	66.5	59.0	78.2
Kitchens & Bathrooms	100	103.7	104.1	106.1	104.7	110.6
Miscellaneous	100	108.1	111.3	115.1	109.4	115.5
Services	100	101.0	114.7	113.9	98.9	99.3

\*Click the web link below to see the complete series of quarterly indices from September 2015.

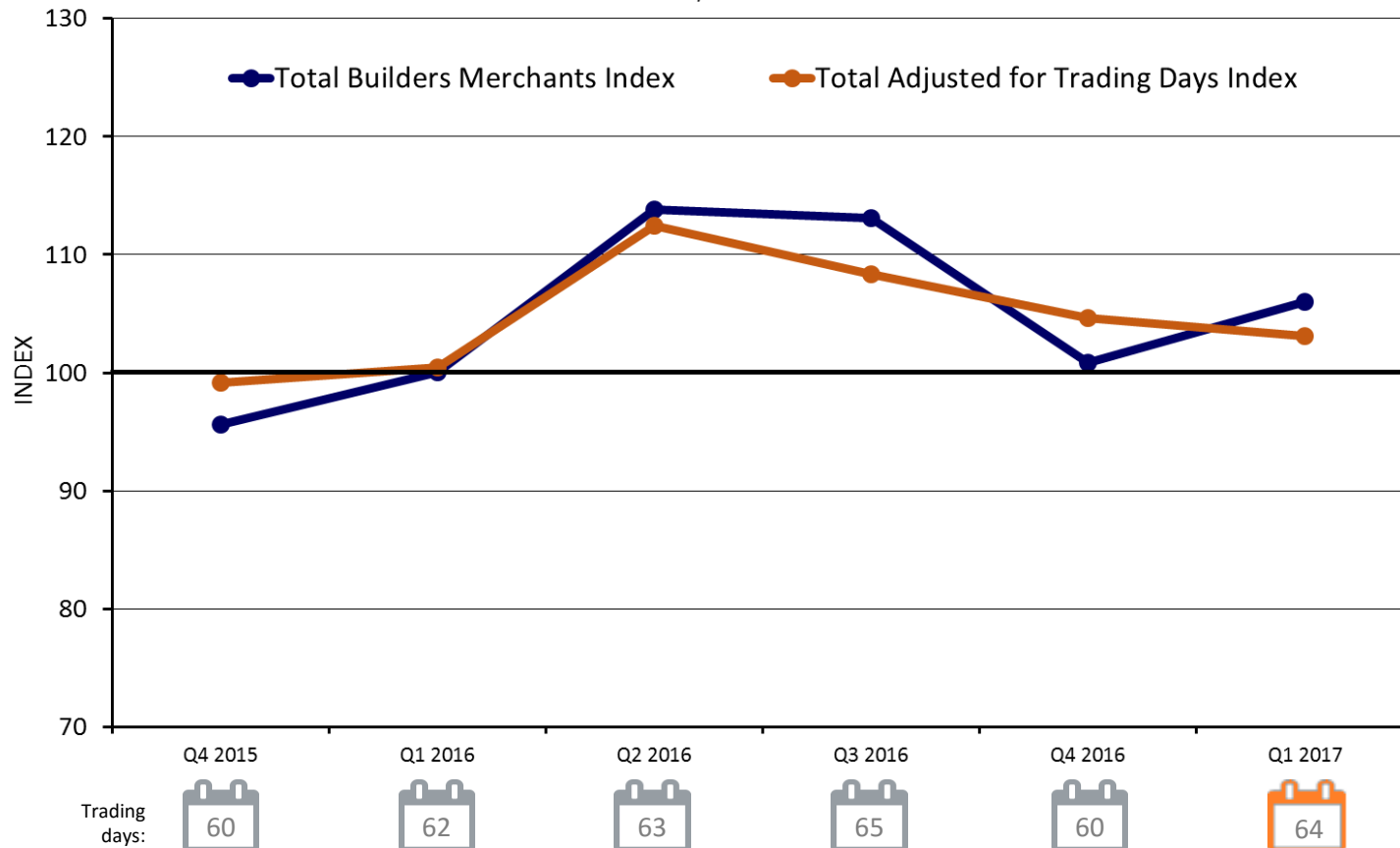
 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to March 2017

# Quarterly: Index

## Adjusted and unadjusted for trading days

### Total Builders Merchants Index v Total Adjusted for Trading Days Index

Indexed on July 2014 - June 2015



 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to March 2017

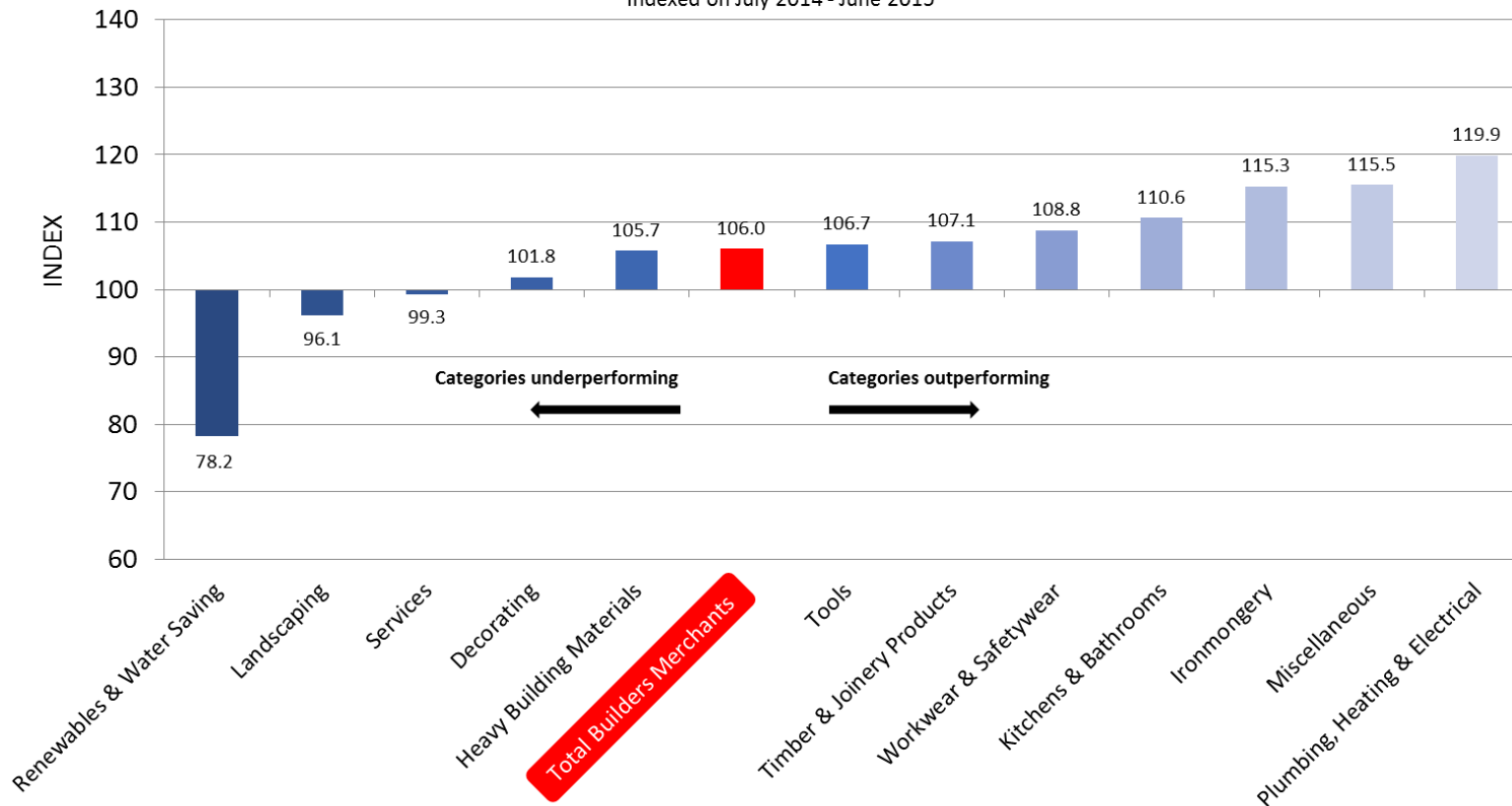


# Quarterly: Index and Categories

## Q1 2017 index

### Quarter 1 2017

Indexed on July 2014 - June 2015



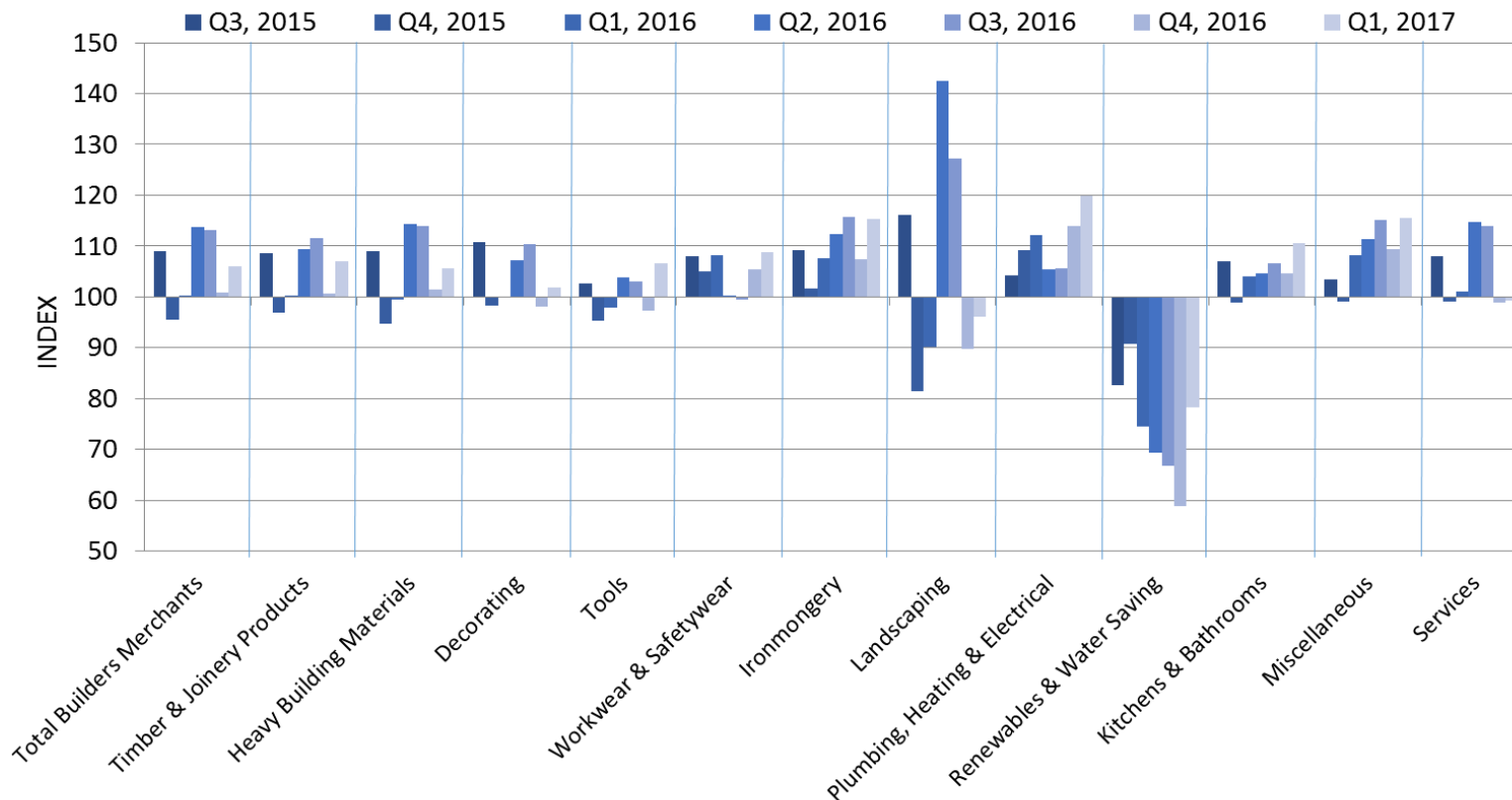
 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to March 2017

# Quarterly: Index and Categories

## Quarterly indices

### Quarterly Indices

Indexed on July 2014 to June 2015

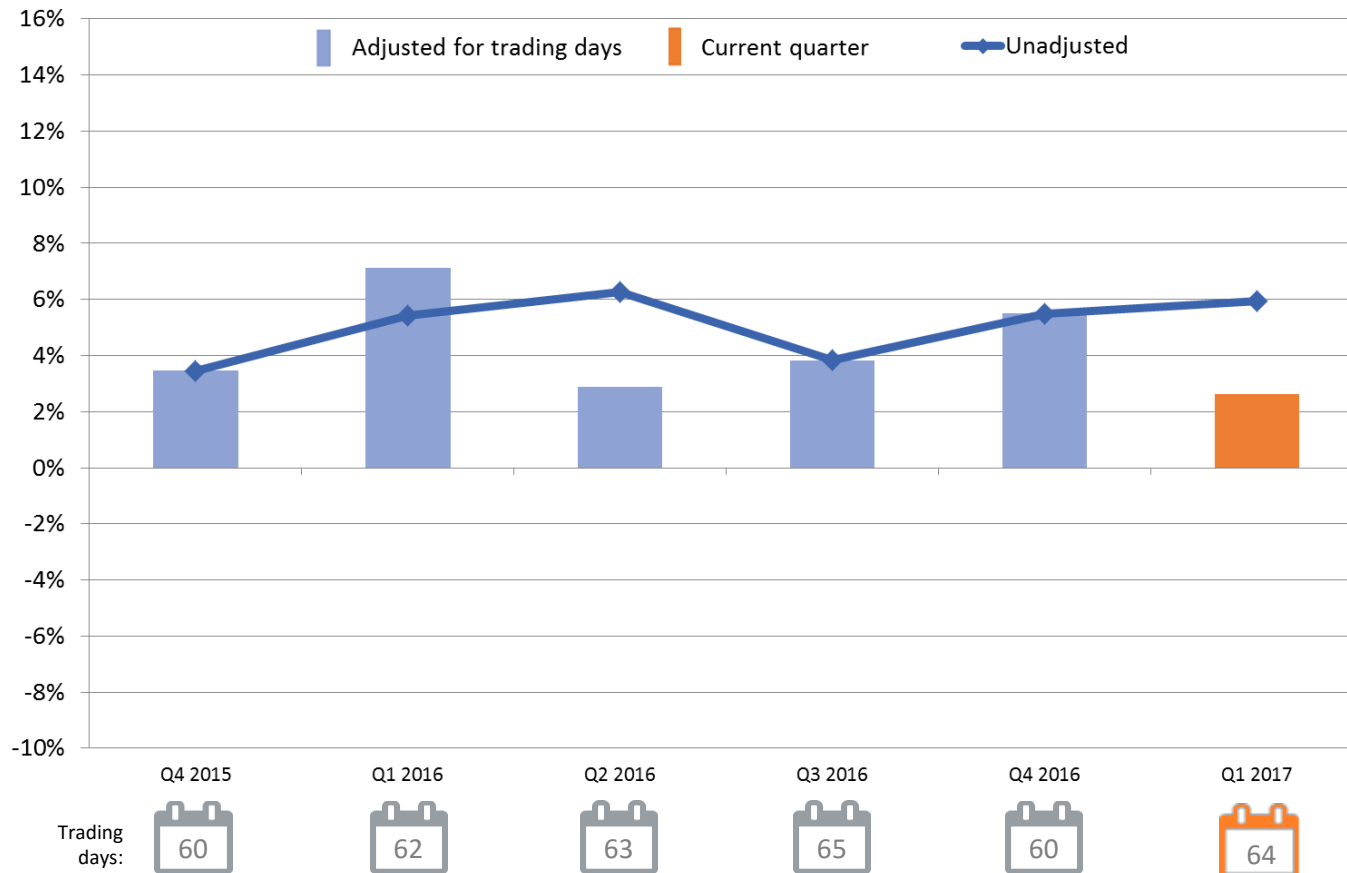


 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to March 2017

# Quarterly: Sales Indices

## Adjusted and unadjusted for trading days

### Quarterly Indices: Year on Year

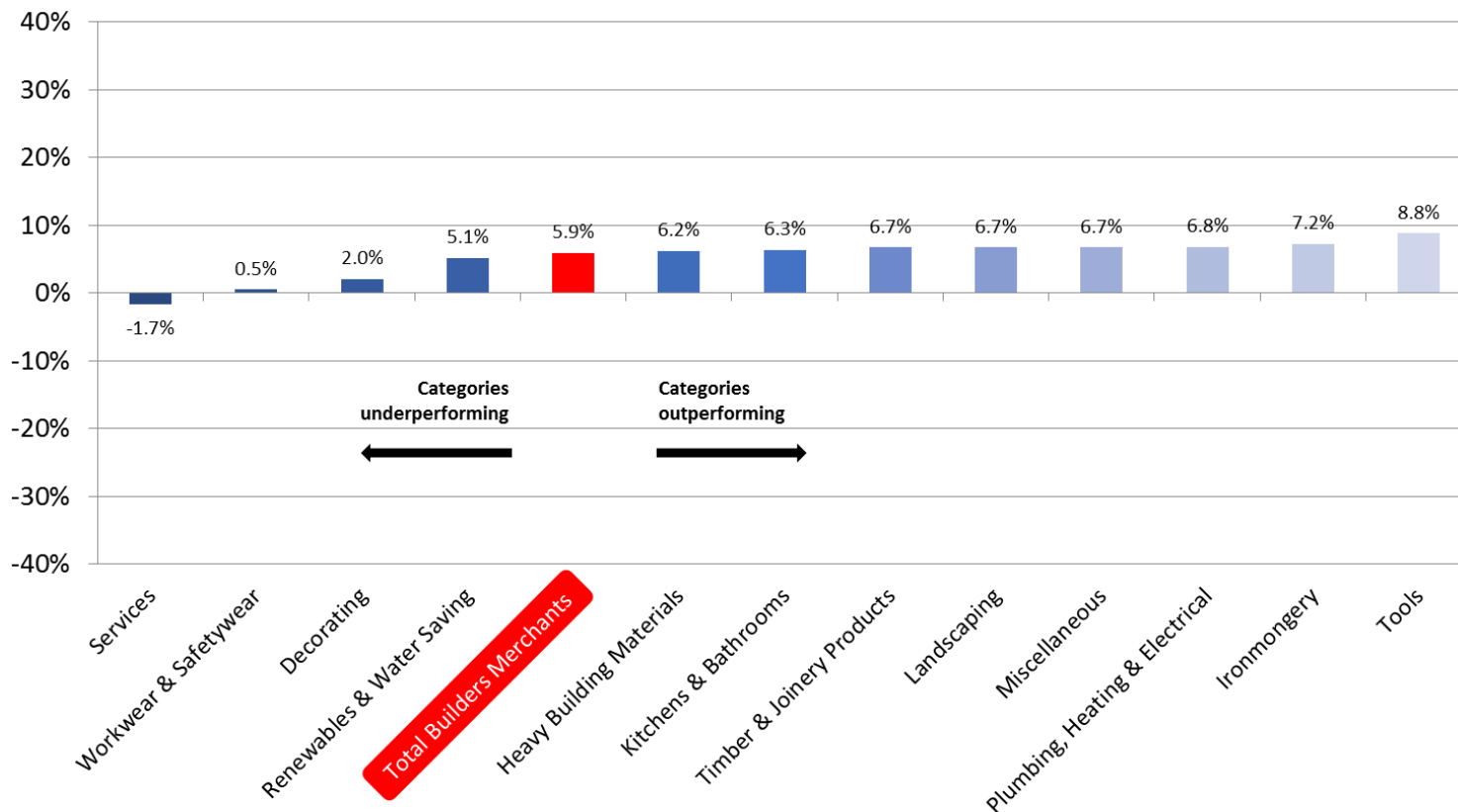


 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to March 2017

# Quarterly: This Year v Last Year

## Q1 2017 sales indices

### Quarter 1 2017 index v Quarter 1 2016 index



 Source: GfK's Builders Merchants Total Category Report July 2015 to March 2017

# Quarterly: This Year v Last Year

## Q1 2017 average sales per day indices

### Quarter 1 2017 index v Quarter 1 2016 index

Average sales per day indices

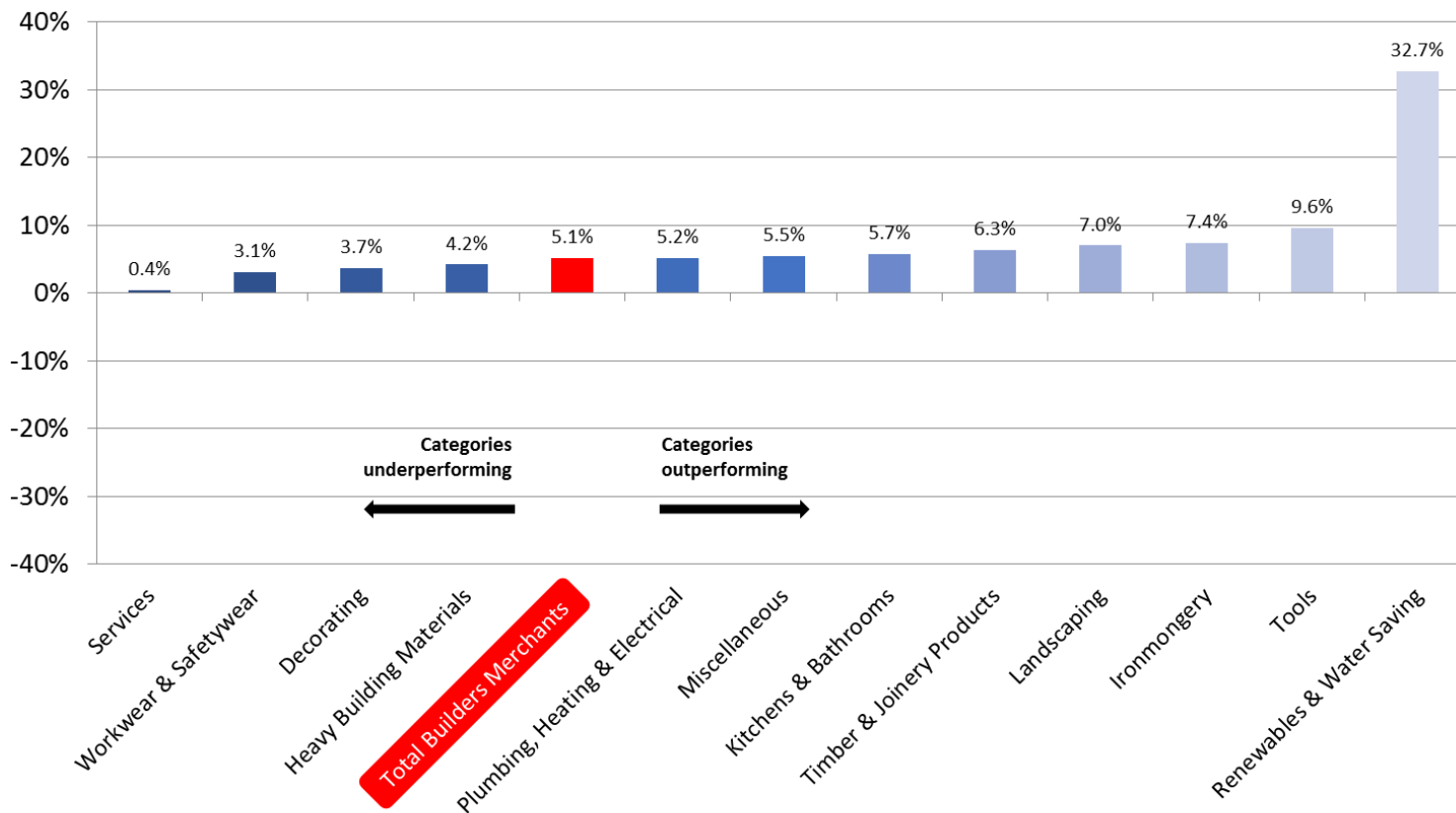


 Source: GfK's Builders Merchants Total Category Report July 2015 to March 2017

# Quarterly: Quarter on Quarter

## Q1 2017 sales indices

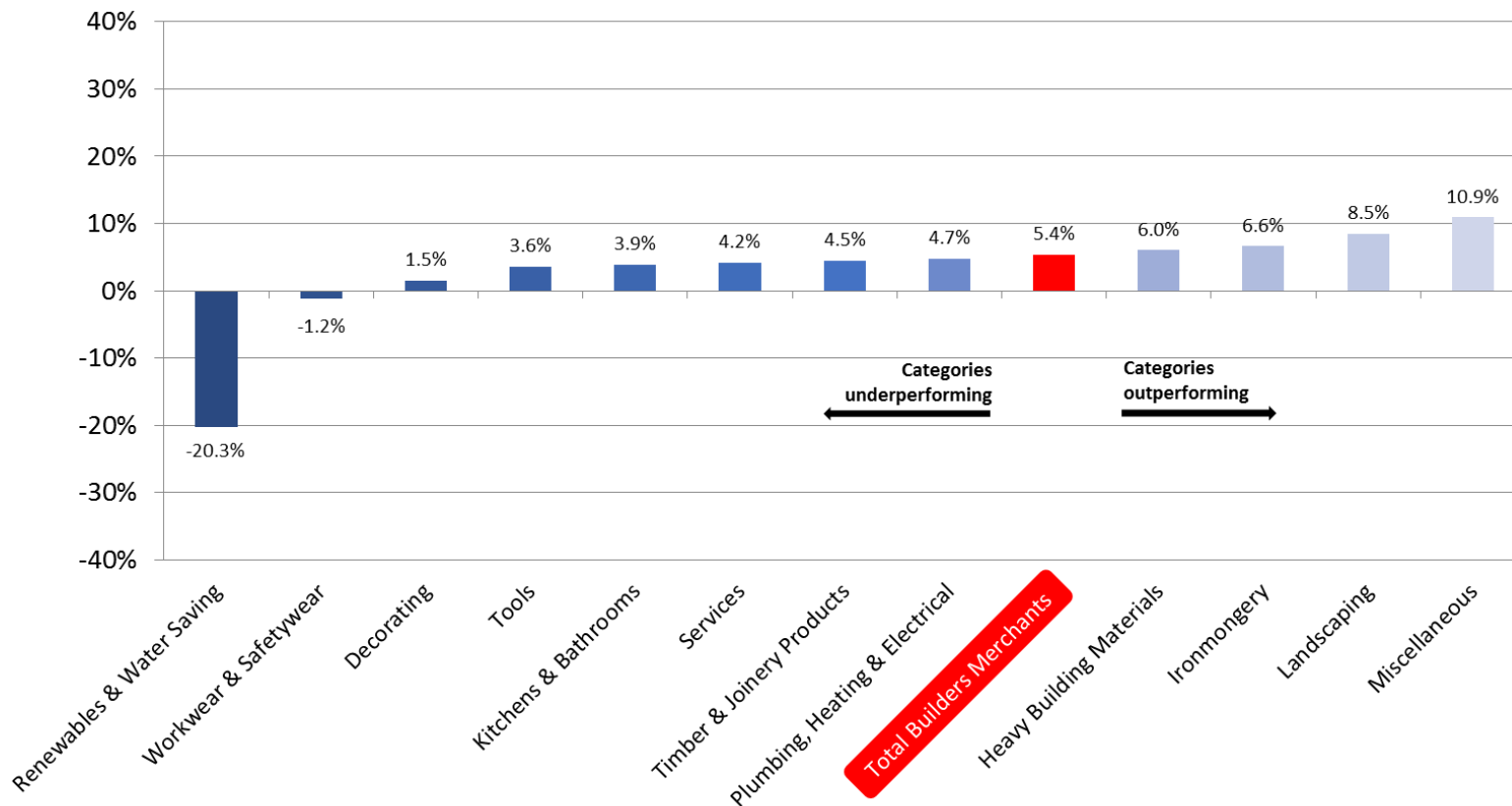
### Quarter 1 2017 index v Quarter 4 2016 index



 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to March 2017

# Last 12 Months: Year on Year Rolling 12 months sales indices

## 12 months Mar 16 to Feb 17 v 12 months Mar 15 to Feb 16



 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to March 2017

# Expert Panel

## PVC-U Windows & Doors

(part of Timber & Joinery Products)



No.1 for choice • No.1 for colour



### Steve Halford, Group Managing Director Crystal Direct is BMBI's Expert for PVC-U Windows & Doors.

First quarter sales of PVC-U windows and doors continued to grow rapidly. Merchants have seen the potential and are changing the way they sell. Independent merchants were well up, around 60% on the same period in 2016. National builders' merchants are growing fast too.

Merchants are engaging more online, taking advantage of configuration and visualisation software that helps them sell bespoke products easily and quickly. Demand from in-branch show areas is also developing fast.

Showrooms make it easier for builders' merchants to engage with their builder and contractor customers. They are especially effective with high value home improvement products such as kitchens and bathrooms, but they create more engaging customer experiences for quality PVC-U windows and doors too. Showrooms help merchants sell more.

It's important that merchants and suppliers continue to work together to deliver a 'multi-channel' approach to marketing high-ticket home improvement products. Savvy customers do their online research first, to find helpful, relevant content and their perceived product solution. But then, ready to buy, merchants need to follow through at branch level with knowledgeable staff and strong representation of the product, backed by reliable, on-time deliveries. Coordinated, direct to site deliveries are also valuable in helping to merchants drive sales.

Bespoke PVC-U windows and doors have opened up a big, new market for merchants. A range that was once complicated to supply is now easy to sell, and with the quality, choice and speed of service their builder customers look for. Merchants' success has been so strong, in an otherwise flattish PVC window market, that even the national window retailers are softening their approach, and focussing more on product than aggressive pricing.

Although we're living in uncertain times with rising inflation and an impending General Election, this market is still young and in its fast growth stage. We're expecting that fast growth to continue in Quarter 2.

“Bespoke PVC-U windows and doors have opened up a big, new market for merchants. A range that was once complicated to supply is now easy to sell, and with the quality, choice and speed of service their builder customers look for”



# Expert Panel

## Roof Windows

(part of Timber & Joinery Products)



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

After a relatively quiet start, Q1 finished stronger, maintaining the 8-11% growth in Q4 2016. Although very positive for roof windows, growth appears to have been uneven regionally.

Avid statistics watchers may be bewildered by the apparently conflicting reports that appear weekly on construction activity. But, NHBC Q1 stats are very encouraging with a 17% increase on new housing registrations year on year. There is obviously a delay before registrations convert to more vans leaving the merchants' gate for builders.

Although new build is important to roof windows, RMI (Repair, Maintenance and Improvement) accounts for the majority of roof window sales. The homeowner holds the purse strings in RMI, rather than housebuilders, so a completely different set of rules apply. Confidence is king, and for roof windows that translates to homeowners' confidence to borrow to fund an extension or loft conversion.

Uncertainties from the Brexit referendum, and another national election may be distracting consumers and denting confidence and demand. But a growing population and not enough suitable places to live make for a tight housing market. The latest indications are that house prices are stagnating, as affordability and the cost of moving is forcing people to stay put. The upside seems to be that homeowners who are not moving home, invest in extensions and loft conversions which are the main source of roof window demand.

In a fast growing market, the roof window industry's approach must be to grow merchants' roof window business by creating products which meet consumers' changing needs, making their use more likely in RMI projects. For example, Keylite is launching new low maintenance, energy efficient, PVC roof windows with homeowner appeal, giving merchants new opportunities to engage this market.

As neither merchants nor manufacturers can ultimately influence the top line statistics, we should work in close partnership to influence the bottom line by making the most of what the market throws up to us. On that basis I'm confident that Q1 has laid a good foundation for a rewarding year.

“After a relatively quiet start, Q1 finished stronger, maintaining the 8-11% growth in Q4 2016.....I'm confident that Q1 has laid a good foundation for a rewarding year”

# Expert Panel

## Timber & Panel Products

(part of Timber & Joinery Products)



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

The market for Timber and Panel Products looks promising for 2017, and we remain optimistic. This is despite the uncertainty created by a snap national election and extended Brexit negotiations. We're getting used to uncertainty. There will be variations by sector, but imports were up year-on-year in Quarter 1 2017 across most product ranges. Following the theme set by the British Woodworking Federation for its Members' Day, we need to embrace the changes our industry faces and develop strategies for success in these changing times.

Last year the hardwood sector's supply shortages and price uncertainties, caused by sterling's sharp fall following the EU referendum vote, were well documented. However, in the first three months of this year hardwood prices have been more stable and while there will continue to be trend-led supply issues, we are already seeing that Oak remains popular regardless of supply source. Overall, we expect 2017 to be a more stable year for hardwood.

There seems to be no respite from the reported MDF (Medium Density Fibre) board supply chain shortages. The situation remains problematic with demand and production problems causing extended lead times from manufacturers. Prices are under pressure with all manufacturers being hit by increased raw material costs that will be passed on to the industry throughout the year.

The growth of the OSB (Oriented Strand Board) market has put pressure on supply and additional production capacity will come on stream later in the year. However, for the foreseeable future demand will outstrip supply leading to price increases.

Indonesia issued the first ever FLEGT (Forest Law Enforcement, Governance and Trade) licenses during November 2016 with expectations that it would boost the share of Indonesia's predominantly hardwood exports to the EU. Importers can be confident over the supply of legal and sustainably sourced wood with FLEGT licenses which remove the need for additional and expensive due diligence exercises. Early indications are promising with evidence that imports are increasing.

“The market for Timber and Panel Products looks promising for 2017, and we remain optimistic”

# Expert Panel

## Civils, Metal Rainwater & Drainage

(part of Heavy Building Materials)



### **Steve Durdant-Hollamby, Managing Director Alumasc Water Management Solutions (AWMS) is BMBI's Expert for Civils, Metal Rainwater & Drainage.**

It's been a slow start to the first quarter for both rainwater and drainage markets, particularly in January and February. March was much stronger with a surge in smaller projects and a later Easter. However with a general election around the corner, market confidence is quite volatile.

In specification markets we're still seeing a pronounced lag between enquiries to confirmed orders. Rising costs, principally from the knock-on effect of exchange rate movements after last year's referendum, are triggering calls for the renegotiation of contracts.

Large contractors in particular continue to be affected by the skills shortage, which is prompting an increase in demand for manufacturers to provide bespoke solutions and a factory fit to ease the pressure to find skilled tradespeople to complete the job onsite.

The new build and RMI housing markets are continuing to grow strongly, benefitting builders' merchants' sales. In these markets, we're seeing a new trend for steel rainwater chosen for its contemporary appearance, robust construction and long low maintenance life in preference to plastic alternatives. Increasingly, steel is being seen as a cost effective metal solution, ideal for the domestic housing sector. The growth in these sectors is compensating for the flatness many are experiencing in specification and commercial.

Although steel prices are at their highest point ever, sterling has been stabilising so exchange rates are better. Exports remain very strong.

Looking ahead, Quarter 2 is traditionally a strong time for civils, metal rainwater and drainage markets. Civil projects are coming out of the ground, and order books are good. We're planning now for better months in May and June.

“Looking ahead, Quarter 2 is traditionally a strong time for civils, metal rainwater and drainage markets. Civil projects are coming out of the ground, and order books are good. We're planning now for better months in May and June”

# Expert Panel

## Cement & Aggregates

(part of Heavy Building Materials)



### **Andrew Simpson, National Commercial Director Hanson Cement is BMBI's Expert for Cement & Aggregates.**

Demand for cement and aggregates strengthened in the first quarter of 2017, mainly driven by increased activity in infrastructure projects.

The CPA reports that overall construction activity is masking a varied performance in individual construction sectors. This explains the mixed feelings we're getting from the merchant and retail sectors when discussing their first quarter performance. However, most builders' merchants are reporting first quarter growth compared to the same period last year and, on the whole, confidence is high moving into the second quarter. One note of caution: inflation is now higher than wage growth, which may weaken consumer confidence in the RMI sector which could affect demand and soften merchant sales.

Increased material and energy costs post the referendum continue to create difficulties throughout the supply chain although the uncertainty around Brexit has been superseded by news of a general election on 8th June 2017. As yet, we've not seen any negative effect on volumes across our product lines. But the construction industry needs political stability, and it's vital that we keep up the pressure on the new Government to maintain its commitment to invest in projects that will benefit our sector.

One of the biggest underlying problems we all have to deal with is the shortage of skills throughout construction and the supply chain. As the average age of our workforces increases we need to raise the profile of the construction industry to attract new talent. It's in all our interests to ensure we have fully trained and competent workforces.

At Hanson Cement, we're working actively with industry bodies to engage jointly with schools and universities to try to attract school leavers and graduates to our sector. We use our higher apprentices, graduates and unit managers as ambassadors at events to engage with prospective apprentices and craftsmen. Many of them are surprised that we have over 750 different job roles across our business, with excellent training and career prospects.

In summary, the outlook is positive despite political unrest. It will be interesting to watch how things unfold over the summer.

“Demand for cement and aggregates strengthened in the first quarter of 2017, mainly driven by increased activity in infrastructure projects”

# Expert Panel

## Roofing Products

(part of Heavy Building Materials)



### **Andy Williamson, Group Managing Director IKO Plc is BMBI's Expert for Roofing Products.**

The lack of the UK's usual winter storms in the first quarter of 2017 means there's been a lot less demand for roofing felt in the domestic market, with the result that this sector is significantly down year-on-year. The latest CPA figures show a net 31% of main contractors reporting lower orders year-on-year in all sectors in Q1 2017, apart from housebuilding, which has remained resilient. However, the milder weather has also allowed some commercial specification RMI work to start earlier than it would do normally.

The CPA also reported that 86% of contractors and 93% of manufacturers have seen raw material price rises year-on-year.

The next quarter is likely to feel the effects of the General Election and the triggering of Article 50. According to RICS, the construction industry could lose nearly 200,000 workers from the EU if we fail to maintain access to the single market. EU workers make up around 8% of the construction industry – possibly more in roofing. They make up a much higher proportion in central London too, so this could threaten some major infrastructure projects and exacerbate our current skills crisis.

We are seeing a growing trend in the market for flame-free flat roofing solutions, particularly for self-adhesive options. This trend could be linked to the skills shortage, as merchants have reported that general builders are being asked to tackle projects that might typically have come under a specialist roofer's remit. Flame-free options are usually quick, easy and safe to install compared to torch-on products which require specialist skills.

Finally, despite the re-emergence of inflation, stagnating wages and anxiety over over-enthusiastic borrowing, consumer confidence has remained surprisingly stable in the UK in the past year, but it is a concern moving forward. GfK's long-running Consumer Confidence Index dropped in April, with forecasts for personal finances and the general economic situation down year-on-year. It's clear from the early skirmishes between PM Theresa May and European Commission President Juncker that we're going to have to get used to living with a high degree of uncertainty for the next two years as negotiations trundle on. However, the benefit of a snap Election does mean we don't have to wait long for some of the uncertainty to be resolved.

“The lack of the UK's usual winter storms in the first quarter of 2017 means there's been a lot less demand for roofing felt in the domestic market...”

# Expert Panel

## Steel Lintels

(part of Heavy Building Materials)



### **Derrick McFarland, Managing Director Keystone Lintels is BMBI's Expert for Steel Lintels.**

Already we're well through the year, and have another election to look forward to. It's becoming an annual event! Let's hope, after 8th June, we can put some of the uncertainty behind us and our industry can move on.

Steel lintel volumes increased by around 6% this first quarter compared with the first three months of 2016. These figures will be distorted slightly by price increases at the beginning of the year, which affected buying patterns. February 2017 experienced a slight dip, but steel lintel sales figures for March & April have bounced back, and have continued at this level into May.

The weather has been kind in Q1, and the House Building sector started back full-steam delivering a steady output of new homes over the quarter. Smaller builders and extension work started slower, but it's improving. The industry's enquiry bank has seen double digit growth over the quarter, and the enquiry to conversion rate is high, providing strong indicators for the coming months.

If, as we're projecting, 2017 continues its steady climb over 2016 we'd all be delighted, but the squeeze on incomes, labour availability, and continuing house price trends will be challenging. We're already seeing the effects of labour availability shortages on site with timber frame experiencing growth in orders from House Builders. While hardly Modern Methods of Construction, timber frame ticks all the time and labour saving boxes for off-site construction.

Our own R&D teams have been working hard on enhanced products to help the builder meet the regulations with improved thermal, cost and labour performance. Other products such as off-site brick-faced lintels will support labour skills on site, achieving time and labour saving without compromising quality of work.

Working with merchants, training their staff on the technical advantages of these added product ranges, the industry can promote good building practices, using a combination of traditional methods and new innovative products.

“Steel lintel volumes increased by around 6% this first quarter compared with the first three months of 2016. These figures will be distorted slightly by price increases at the beginning of the year, which affected buying patterns”

# Expert Panel

## Mineral Wool Insulation

(part of Heavy Building Materials)



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

The first quarter of 2017 has certainly been interesting.

A Parliamentary vote on Brexit followed by formal notification of our intention to leave the EU, with the submission of Article 50 notice to the Commission. Then, to cap a tumultuous political month, we have a snap General Election to be held in June.

Opinion polls seem to point relentlessly to one outcome - but one thing I have learned over the last 12 months is that polls can be wrong. Very wrong in some cases!

Whatever the outcome, we will continue to offer the best and most authoritative advice on non-combustible, thermal and acoustic insulation.

Looking at sales levels, we have seen a continuation from Q4 2016. Demand for mineral wool insulation products has been strong throughout Q1, helping to boost sales volumes of both Glass and Rock Mineral Wool product ranges.

Comparing sales to the overall performance of the merchant sector, we can see that Glass Mineral Wool product sales are tracking slightly above the market, while Rock Mineral Wool sales are significantly outperforming the market with good double-digit growth over the same period last year.

The mineral wool sector is benefiting from the latest shortage of PIR, resulting from a scarcity of MDI, a key raw material. Merchants and distributors are speaking to their suppliers about alternative solutions to ensure that their customers don't experience disruption.

Overall, it's been a good year so far, with a decent short term outlook.

“We have seen a continuation from Q4 2016. Demand for mineral wool insulation products has been strong throughout Q1, helping to boost sales volumes of both Glass and Rock Mineral Wool product ranges”

# Expert Panel

## Insulation Products - Distribution

(part of Heavy Building Materials)



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

The first three months started well for insulation with year on year growth through the merchants' channel. The principal risk is price inflation, which was triggered by a sharp fall in sterling following the Brexit vote last year. The challenge is to pass these increases in full down the supply chain.

The other main risk is availability, especially in PIR insulation which is causing all sorts of difficulties. The worry is these will spill over into other insulation products.

Insulation is the ultimate 'no brainer' product: insulate poorly insulated homes and buildings - the UK's are among the least energy efficient in Europe – and families, businesses, and Britain save money and carbon dioxide on heating and cooling from there on, with a fast, permanent return on investment. It's hard to think of a reason not to improve energy efficiency. Yet Britain's focus on energy efficiency appears to have lost impetus. It's as if Government, of whatever stripe, can only focus on one aim at once: Britain needs both, more new homes and a better stock of homes.

An early election should give the new government a mandate for a positive and firm Brexit negotiation as well as creating a period of stability in which to pursue a strong focus on policy, including building more homes and upgrading the energy efficiency of our existing homes. Few give Labour much chance of winning, but it's good to see their Manifesto committing to build more new homes, and committing to insulate 4 million homes with interest free loans and allowances to encourage homeowners and landlords to improve energy efficiency. Regardless of the election outcome, it guarantees an extended debate about these two critical challenges.

Consumer spending and confidence cooled at the start of the year, which cooled RMI, but consumers appear to have recovered their appetite for spending despite a looming general election. We hope a clear result will impact positively on business in the second half of 2017 and beyond.

“The first three months started well for insulation with year on year growth through the merchants' channel”



# Expert Panel

## Bricks

(part of Heavy Building Materials)

IBSTOCK



### Tony France, Sales Director Ibstock, is BMBI's Expert for Bricks.

Demand for bricks has intensified significantly with GB manufactured product Q1 sales volumes 20% ahead of Q1 2016. This continues a trend which started in August 2016 following a subdued July after the Brexit vote. In the eight months to the end of March 2017, compared with the corresponding period 12 months ago, GB manufactured brick sales volumes are up by 20%.

There appears to be no imminent reduction in demand, indeed, industry brick sales volume in March was the highest in nine years.

This demand has been fuelled by a combination of two key sectors growing simultaneously. Firstly, developers have built more houses than would normally be expected due to a particularly dry, mild winter. At the same time, builders' merchants, who generally de-stocked bricks in 2016, are now returning to usual depot purchasing levels as RMI sales remain relatively strong.

In response to growth in demand, brick manufacturers are increasing production, but there are signs that products from certain factories are subject to extending availability periods. In contrast, there are significant stocks, especially of wirecut products, at many factories, and potential additional capacity available if required.

So it's becoming increasingly important that merchants, distributors and developers work together to ensure that order quantities and call-off schedules are as accurate as possible. This helps brick producers give more consistent lead times and be better able to fulfil customer requirements.

It's also vital that customers don't start panic-buying and stock-piling, as happened in 2013/14, as this exacerbates the problem. My advice to builders' merchants is to consider your depot stock requirements and place accurate schedules and call-offs for your key products for the rest of 2017.

While we expected brick sales to increase in 2017, nobody predicted growth would be so high. It seems unlikely the current trend will continue at the same pace for the rest of the year. With improving production levels, more accurate scheduling and close co-operation and communication between all stakeholders, the balance of supply and demand should stabilise.

“Demand for bricks has intensified significantly with GB manufactured product Q1 sales volumes 20% ahead of Q1 2016..... Industry brick sales volume in March was the highest in nine years”

# Expert Panel

## Natural Paving Products

(part of Landscaping)



### Malcolm Gough, Group Sales & Marketing Director Natural Paving Products is BMBI's Expert for Natural Stone Landscaping Products, Vitrified Paving & Artificial Grass.

The Brexit vote has had a big effect on the natural stone hard landscaping market. The pound is buying fewer Indian Rupees; shipping costs have increased nearly fivefold, up from £400 to £1,800 a container. Combined with increases in raw material costs this is hurting suppliers, particularly smaller players. Costs of particular natural stone products such as grey and pale cream are also more volatile because of their origination.

Higher costs are being passed on – we estimate prices are 25% up on average across the market - but the level of these increases means not all of it can be passed on. This is savaging supplier margins.

Some smaller natural stone suppliers are holding back on shipping products, hoping container costs come down. This could potentially cause stock shortages. The June to July monsoon season in India will also add pressure to supply. In such times, it might be tempting to look elsewhere for your natural stone landscaping products. But it's important to check natural stone suppliers are members of ETI (the Ethical Trade Initiative). ETI gives builders' merchants and their customers the assurance that the natural stone they stock and sell has been manufactured in controlled working conditions that does not exploit workers. Members are listed at [www.ethicaltrade.org](http://www.ethicaltrade.org)

Despite Brexit upheaval, we estimate market volume is up by 3-4%. Higher prices mean values are up more. Price rises are also closing the gap between natural stone and other premium hard landscaping products such as Italian porcelain vitrified paving. This is opening up new opportunities to cross sell and up sell.

Artificial grass is also trending strongly, particularly demand for better quality grasses. Time-poor homeowners are looking for a viable alternative to natural grass, and are not settling for standard products. Demand is strong for bowling-green quality, for example, the super luxury artificial grass that looks like the real thing, with all year round appeal and the benefits of low maintenance.

These are challenging times for these markets, but there are also many opportunities. With summer around the corner, we're expecting a positive Quarter 2.

“Price rises are closing the gap between natural stone and other premium hard landscaping products such as Italian porcelain vitrified paving. This is opening up new opportunities to cross sell and up sell”

# Expert Panel

## Water Heating

(part of Plumbing Heating & Electrical)

**HEATRAE SADIA**  
SMARTER | CLEANER | WARMER



### Paul Rivett, Managing Director Heatrae Sadia is BMBI's Expert for Water Heating.

Quarter 1 sales in the hot water sector were mixed. Domestic unvented cylinders slipped 10% on the same period last year, hit by slower private housing starts and the growth of combi boilers in small to medium size houses.

Stronger sales of combis benefit developers in the short term, but expose them to customer complaints in winter. Combi struggle to provide enough hot water in colder mains water conditions, particularly if there's more than one wet room.

Sales of electric storage water heaters are flat and in line with last year. However, new commercial products, updated for ErP (Energy Rated Products) compliance with new features such as BMS connectivity, pasteurisation cycle to prevent Legionella and smart heating controls are doing well. ErP is a European Union (EU) directive to improve energy efficiency and performance standards of products. It comprises two directives, Ecodesign and Energy Labelling, to help achieve the 20-20-20 target of reducing energy use by 20% and increase the share of renewable energies by 20% by 2020.

Drinking water, particularly hot tap dispensers are growing at a fast rate due to market expansion in both commercial and domestic sectors.

Electric boilers continue to grow despite lower oil prices in off-gas areas, as gas boilers in flats and apartments are replaced to comply with gas boiler and flue regulations. This is a trend that we expect will accelerate.

As we enter Quarter 2 with cautious optimism, the General Election, an increased squeeze on consumer spending and the disconcerting protracted two year BREXIT negotiations could sap confidence. But uncertainty is becoming the backdrop to personal and business decisions, and people can become used to anything. After a dip in spending and confidence at the start of the year consumers seem to have started spending again. GfK's Consumer Confidence Index reports that although the Overall Index Score remains in negative territory, and dipped in April, consumers are positive about their personal finances and say now is a good time to buy. Their confidence may be short lived, but we are entering new territory here!

The late Easter will also impact year-on-year performance for the quarter, with benefits already reaped in Quarter 1.

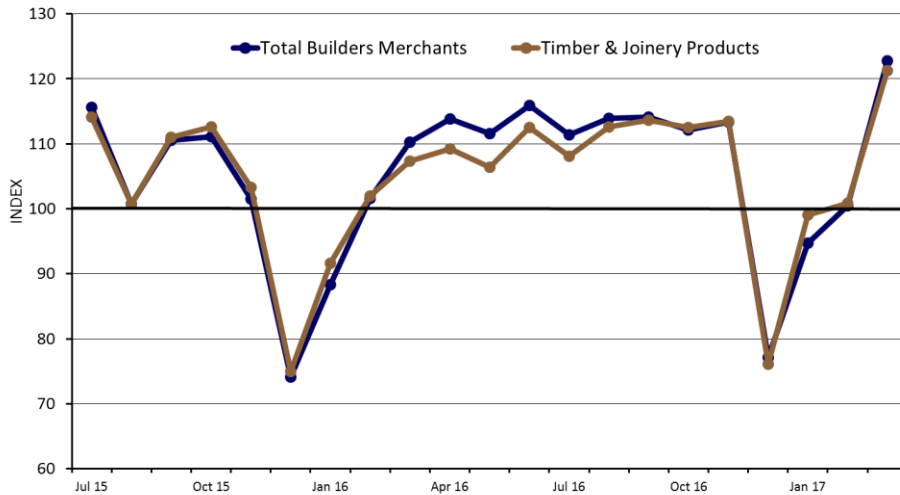
“Electric boilers continue to grow despite lower oil prices in off-gas areas, as gas boilers in flats and apartments are replaced to comply with gas boiler and flue regulations. This is a trend that we expect will accelerate”

# Monthly and Quarterly Indices

## March 2017 and Q1 2017

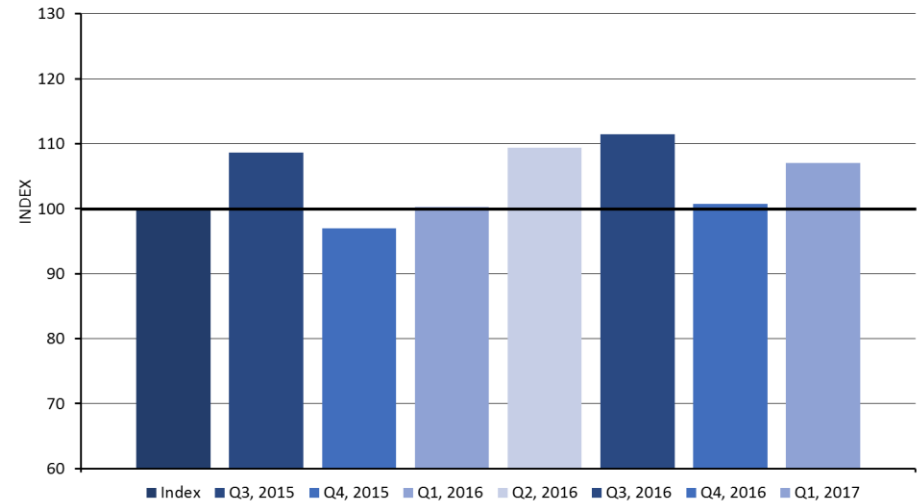


### Timber & Joinery Products



Monthly chart indexed on July 2014 – June 2015

### Timber & Joinery Products - Quarterly



Quarterly chart indexed on July 2014 – June 2015

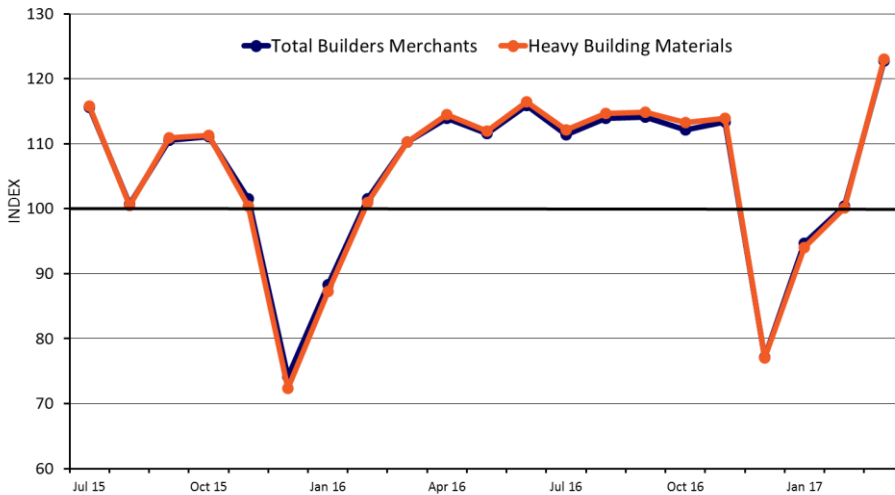
**GfK** Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to March 2017

# Monthly and Quarterly Indices

## March 2017 and Q1 2017

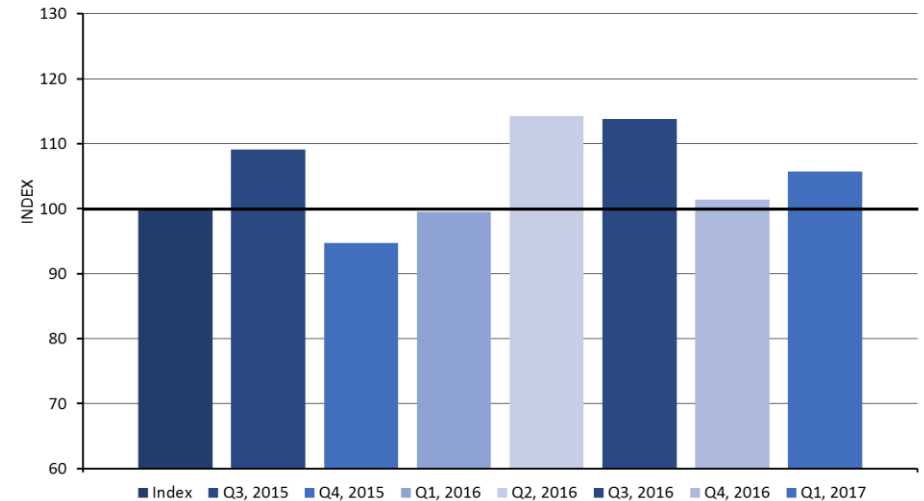


### Heavy Building Materials



Monthly chart indexed on July 2014 – June 2015

### Heavy Building Materials - Quarterly



Quarterly chart indexed on July 2014 – June 2015

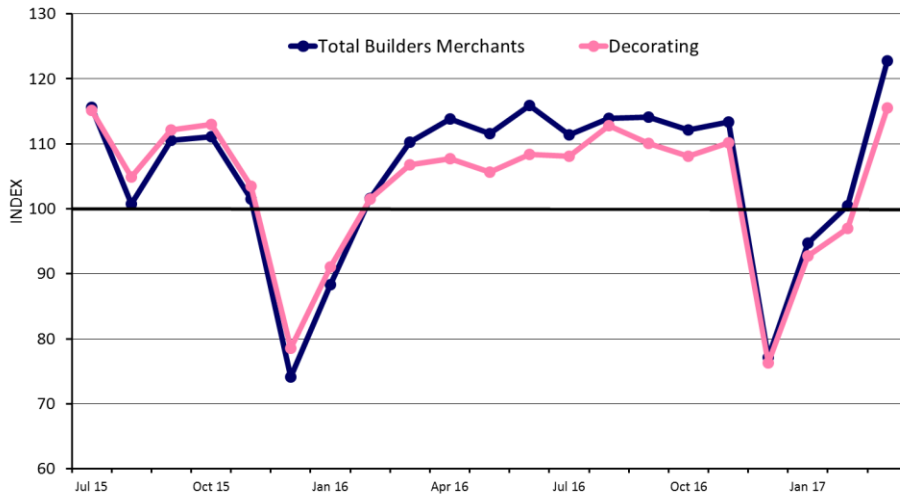
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## March 2017 and Q1 2017

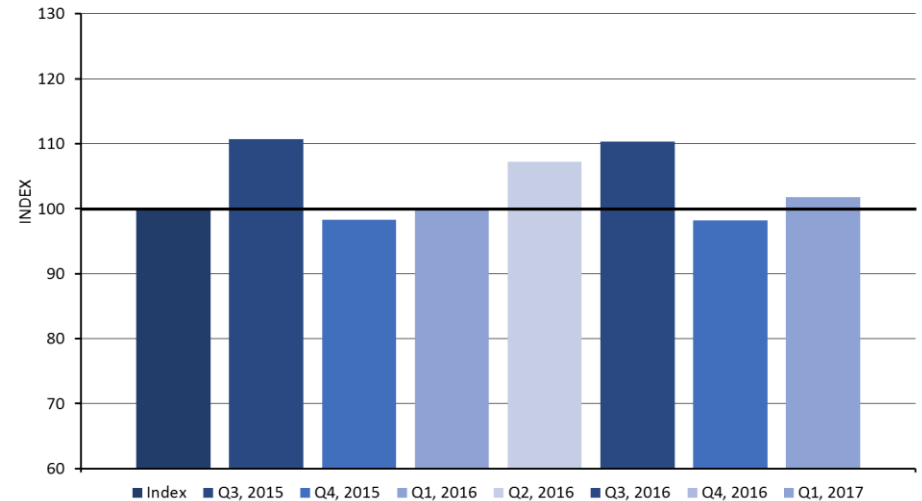


### Decorating



Monthly chart indexed on July 2014 – June 2015

### Decorating - Quarterly



Quarterly chart indexed on July 2014 – June 2015

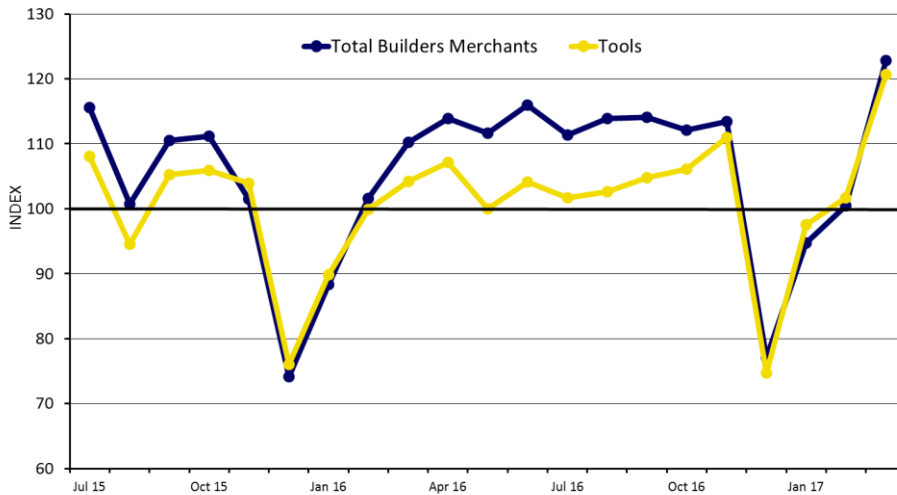
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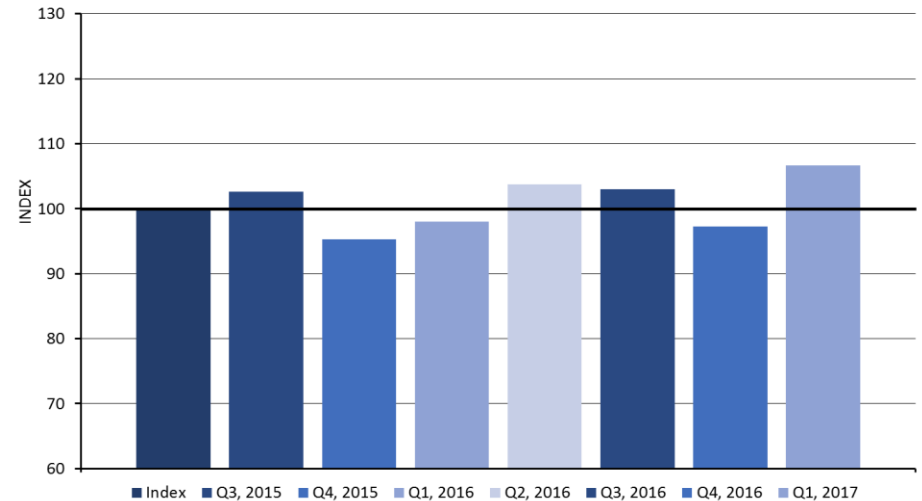


### Tools



Monthly chart indexed on July 2014 – June 2015

### Tools - Quarterly



Quarterly chart indexed on July 2014 – June 2015

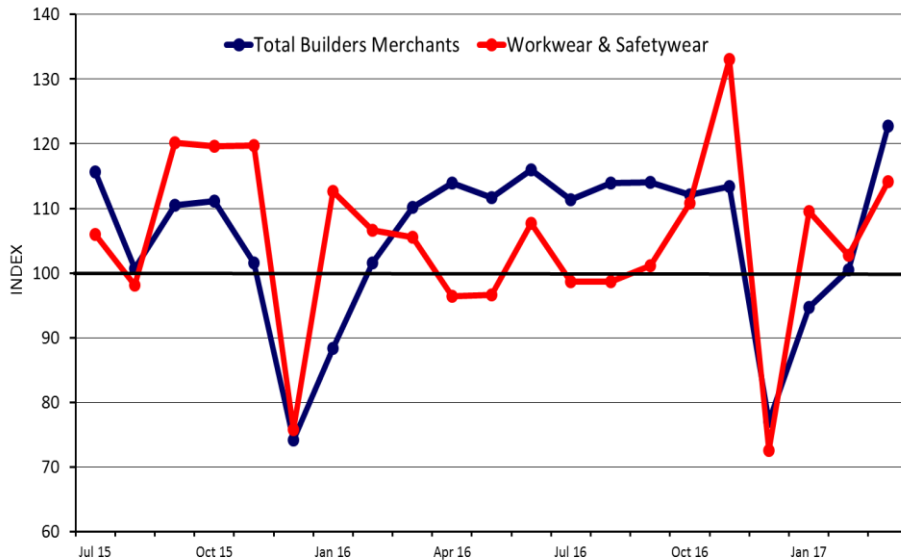
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# Monthly and Quarterly Indices

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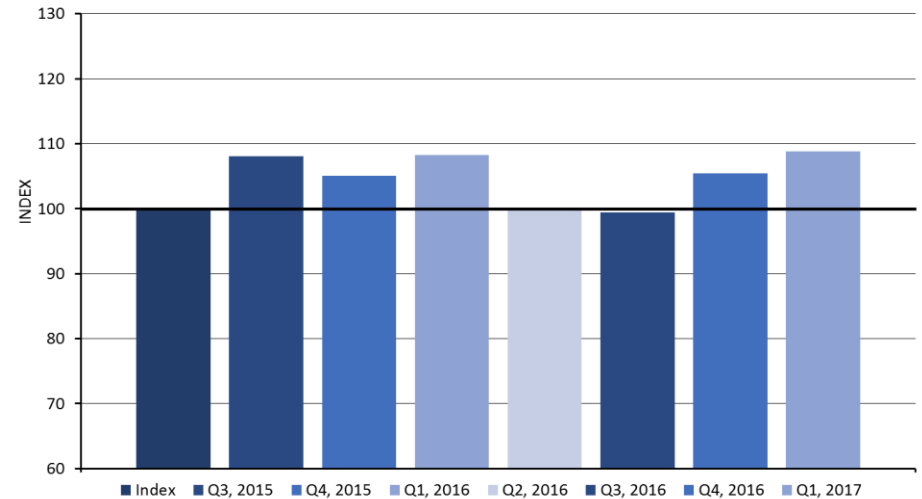


### Workwear & Safetywear



Monthly chart indexed on July 2014 – June 2015

### Workwear & Safetywear - Quarterly



Quarterly chart indexed on July 2014 – June 2015

**GfK** Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to March 2017

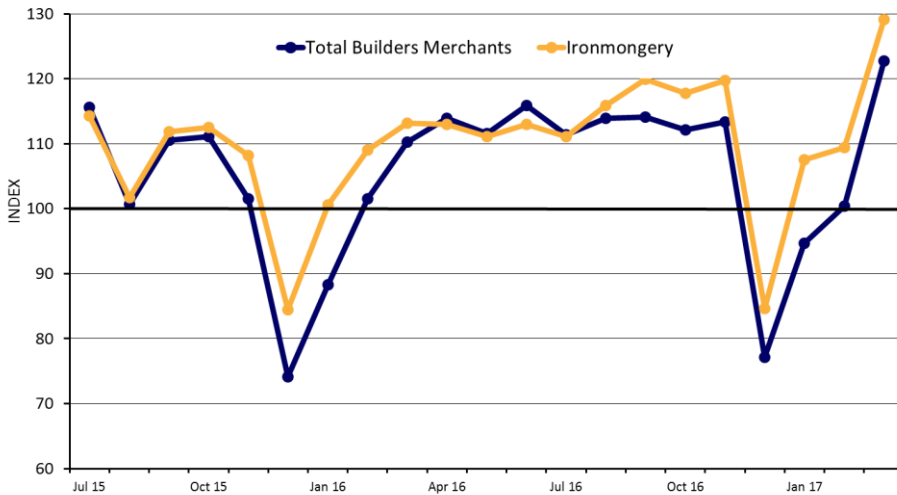


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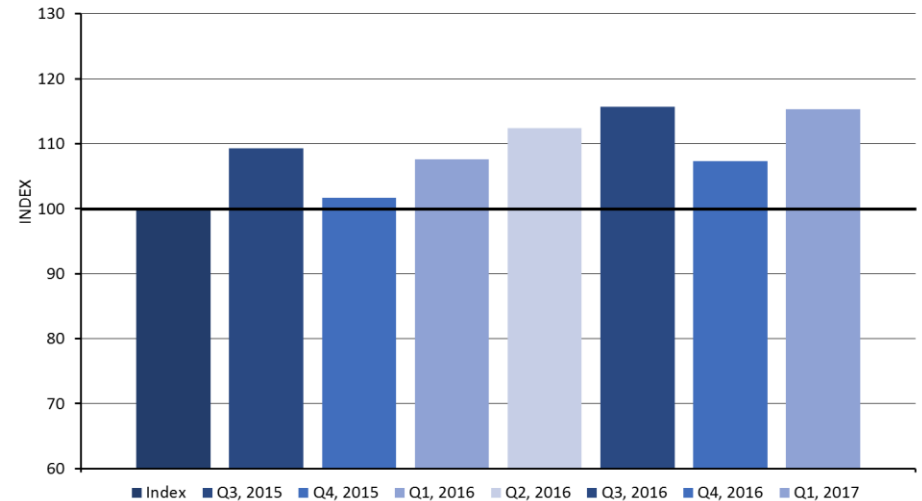


### Ironmongery




Monthly chart indexed on July 2014 – June 2015

### Ironmongery - Quarterly



Quarterly chart indexed on July 2014 – June 2015

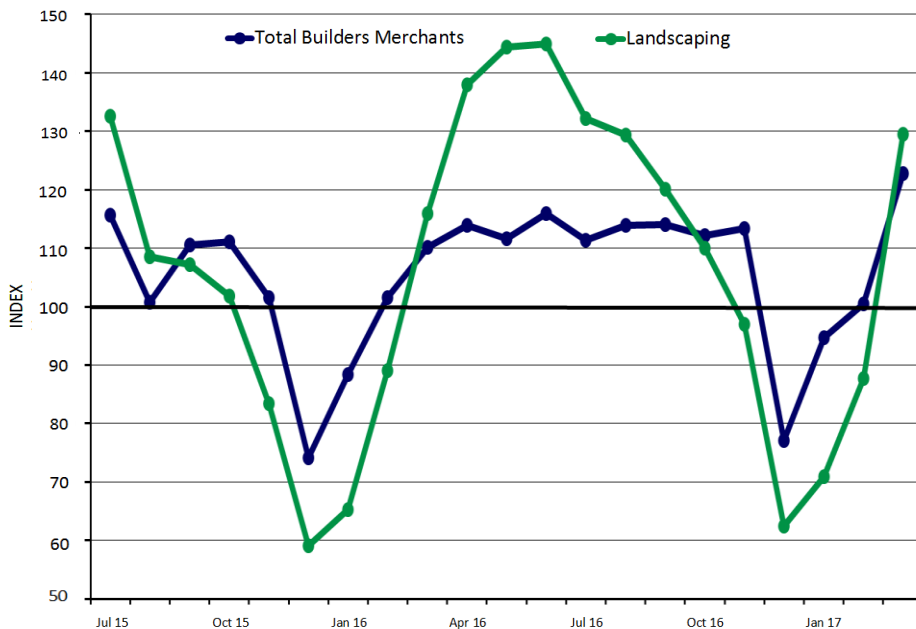
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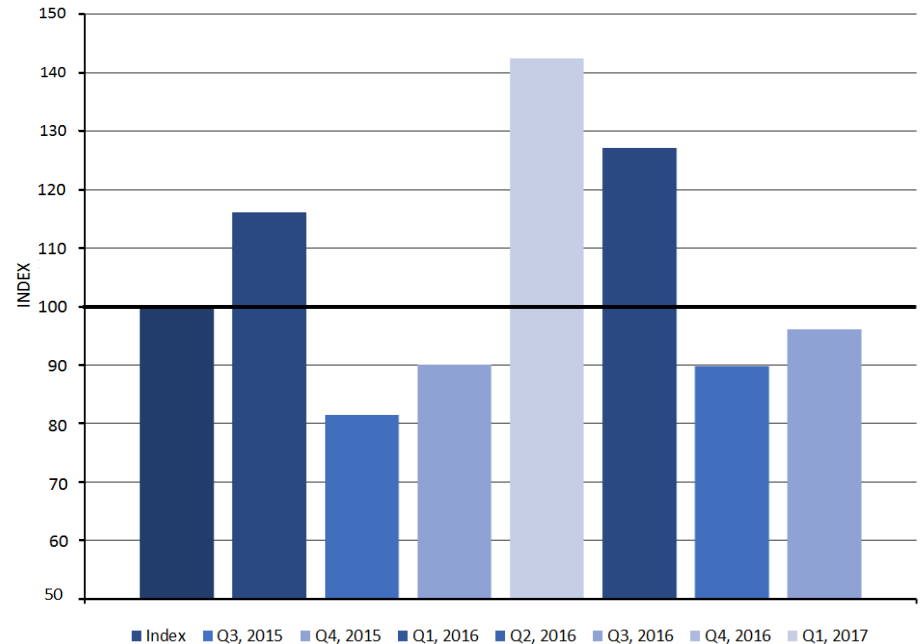


### Landscaping



Monthly chart indexed on July 2014 – June 2015

### Landscaping - Quarterly



Quarterly chart indexed on July 2014 – June 2015

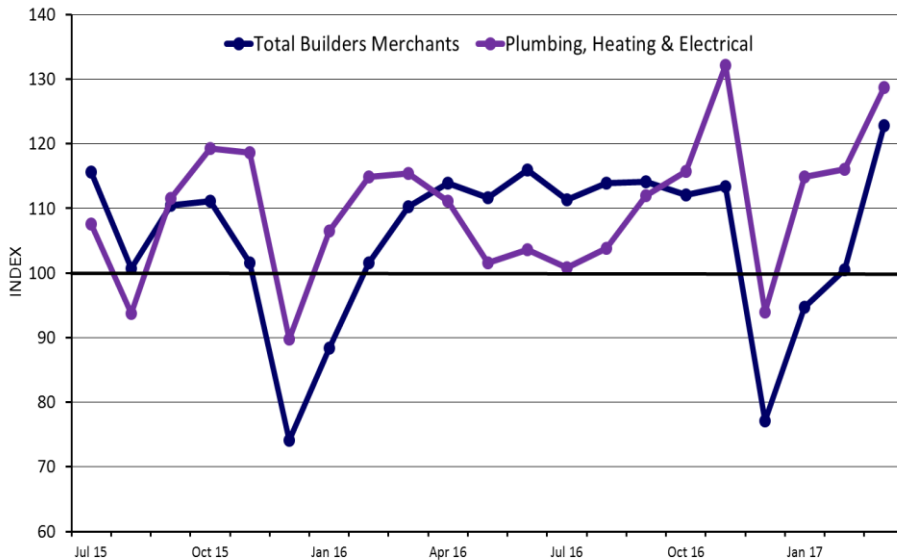
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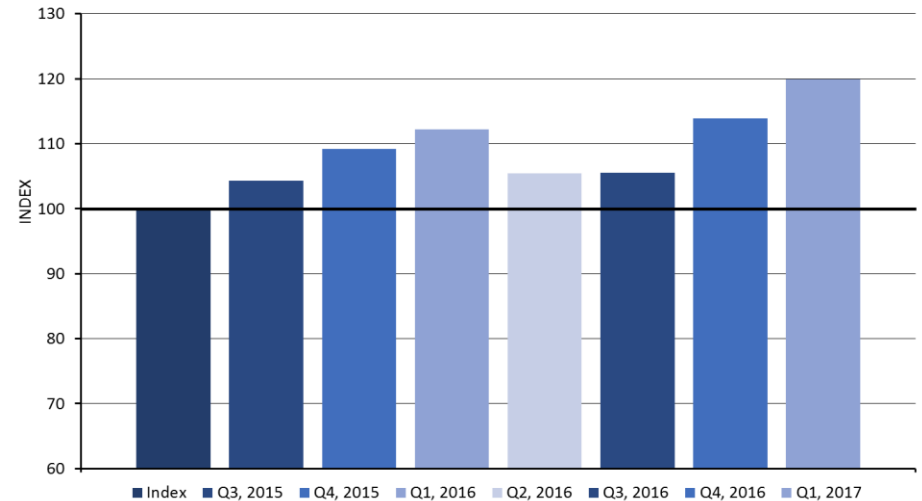


### Plumbing, Heating & Electrical



Monthly chart indexed on July 2014 – June 2015

### Plumbing, Heating & Electrical - Quarterly



Quarterly chart indexed on July 2014 – June 2015

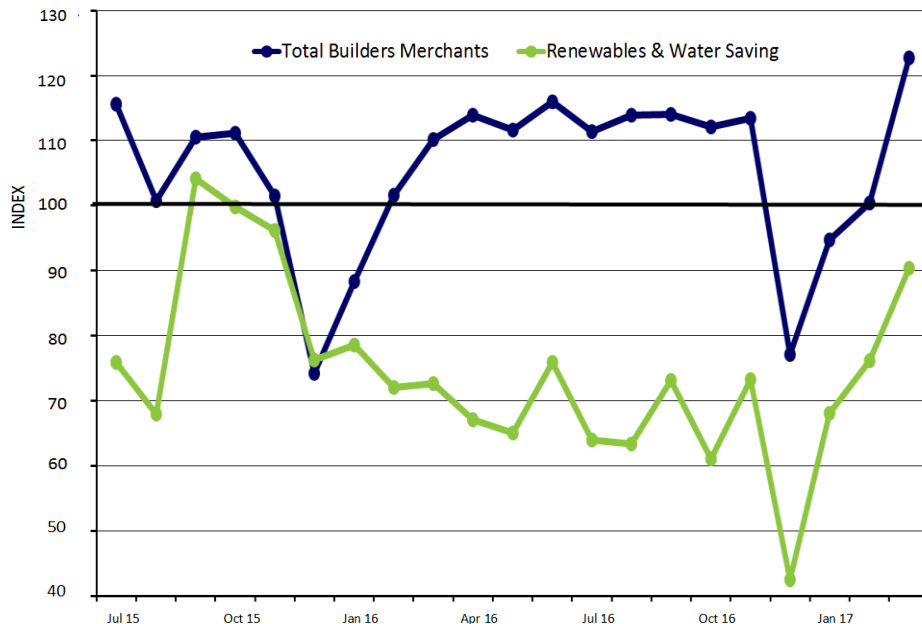
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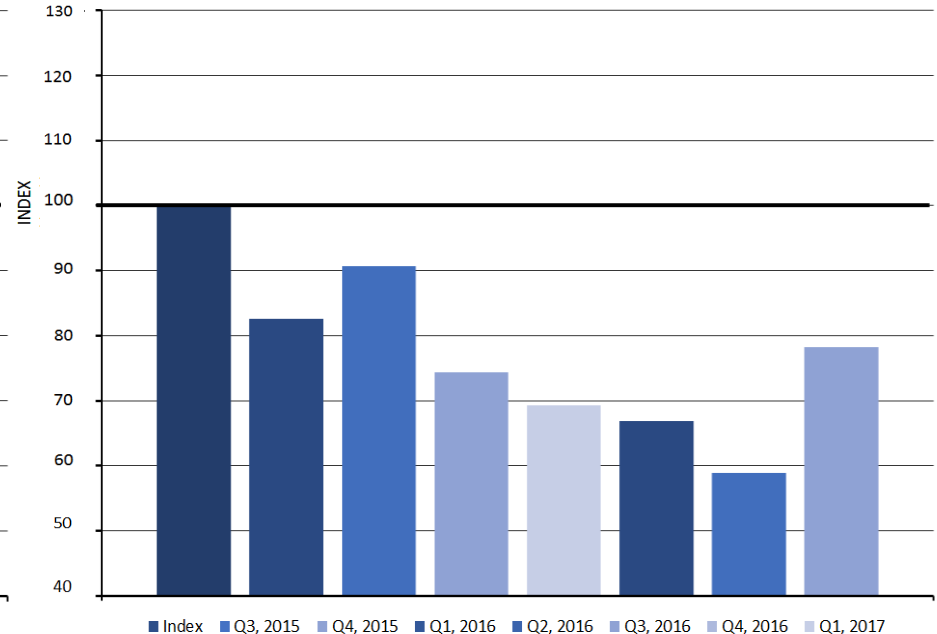


### Renewables & Water Saving



Monthly chart indexed on July 2014 – June 2015

### Renewables & Water Saving - Quarterly



Quarterly chart indexed on July 2014 – June 2015

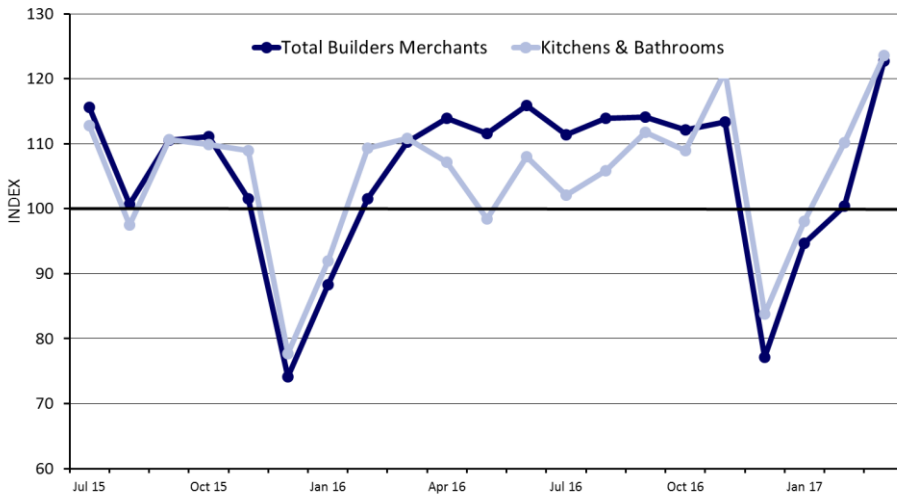
**GfK** Source: GfK's Builders Merchants Total Category Report July 2015 to March 2017

# Monthly and Quarterly Indices

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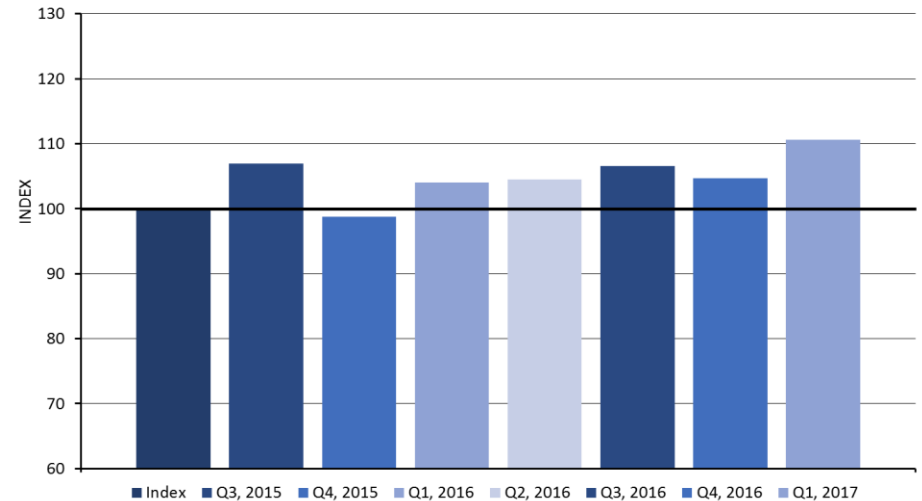


### Kitchens & Bathrooms



Monthly chart indexed on July 2014 – June 2015

### Kitchens & Bathrooms - Quarterly



Quarterly chart indexed on July 2014 – June 2015

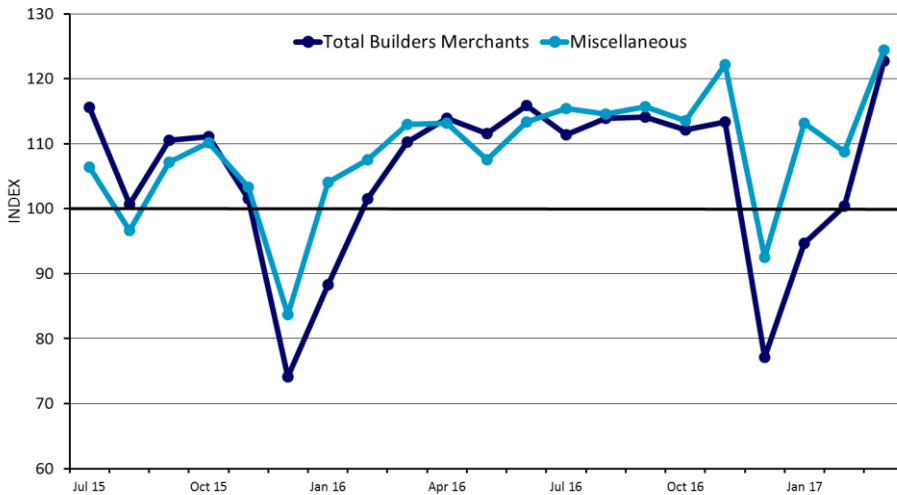
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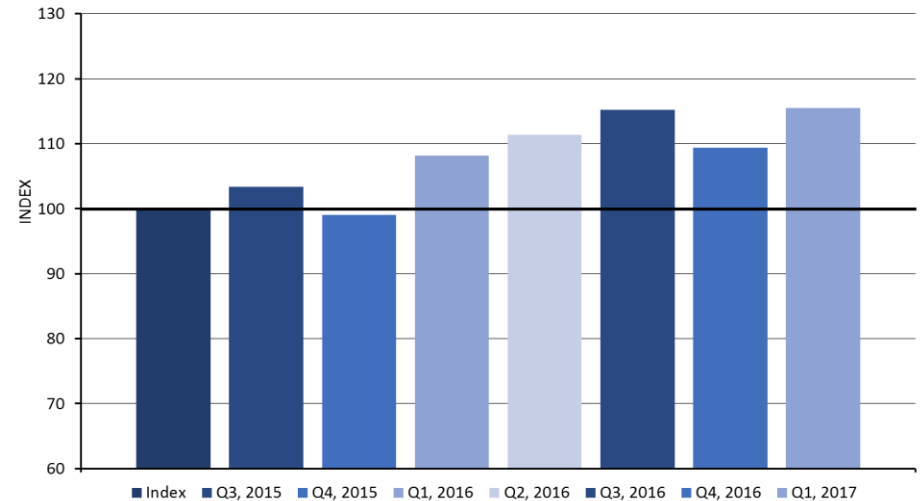


### Miscellaneous



Monthly chart indexed on July 2014 – June 2015

### Miscellaneous - Quarterly



Quarterly chart indexed on July 2014 – June 2015

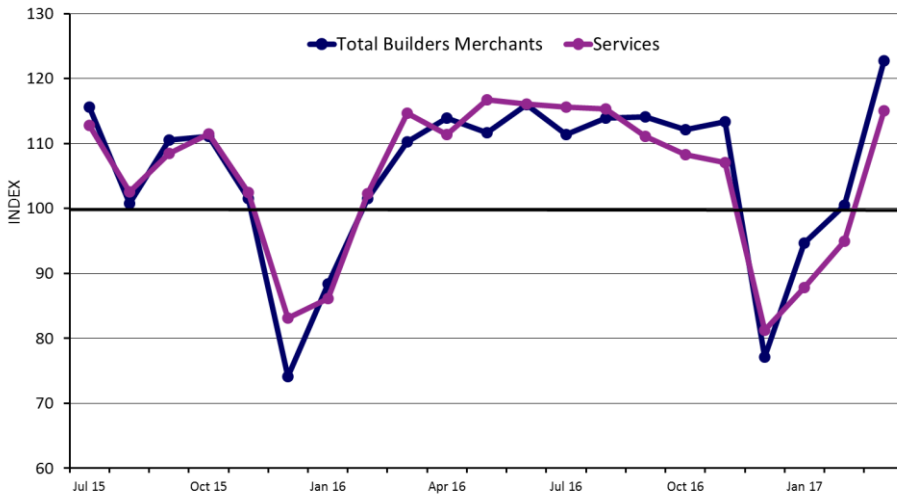
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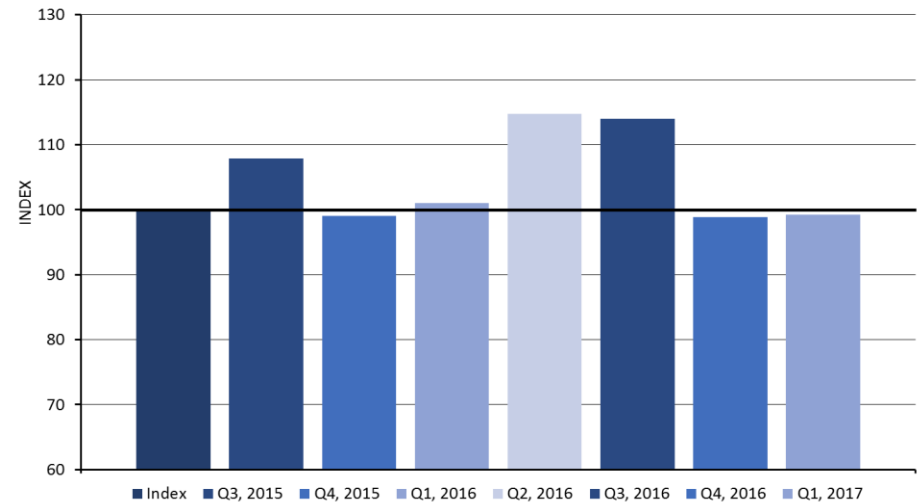


### Services



Monthly chart indexed on July 2014 – June 2015

### Services - Quarterly



Quarterly chart indexed on July 2014 – June 2015

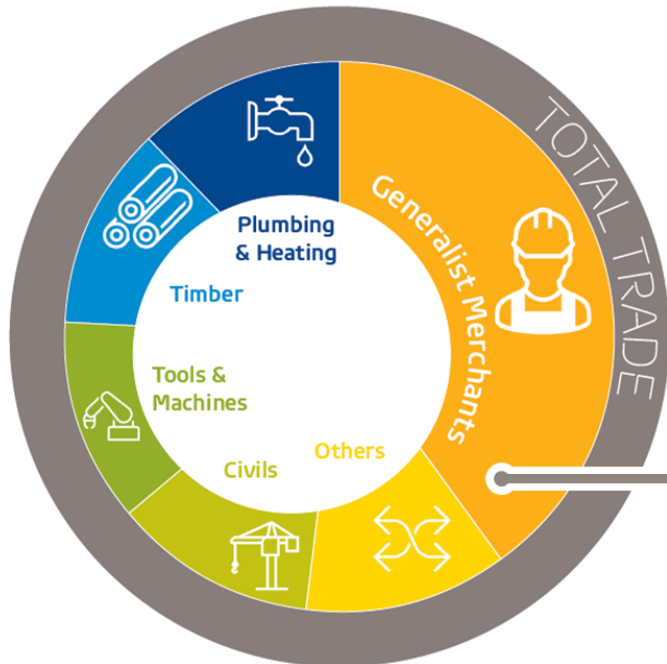
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# GfK's Panel

## Generalist Builders Merchant Panel (GBM's)



### The Multiple Generalist Builders Merchants Channel



#### Generalist Builders Merchants

Builder 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.

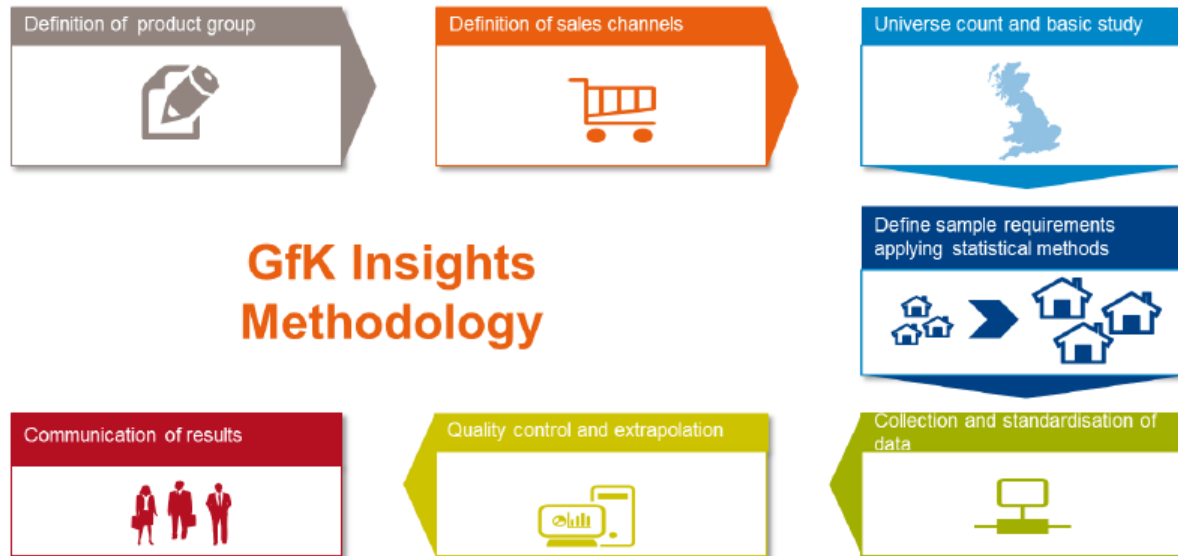
Multiple merchants are those defined as having more than 3 outlets or a turnover of greater than £3m p.a.

Examples include:





# 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

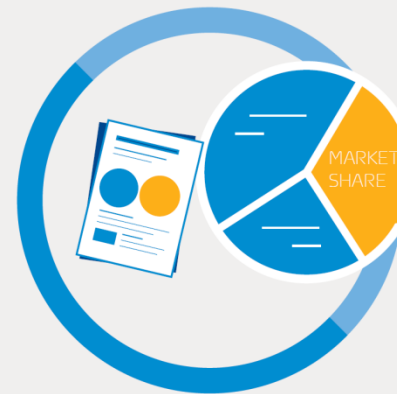
### Miscellaneous

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

### Services

Toolhire / Hire Services  
Other Services

### TOTAL CATEGORY REPORT (TCR)



### TRACKED PRODUCT GROUP REPORTING



## 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](mailto:pete.church@gfk.com)).

### Available categories:







#### Heavyside

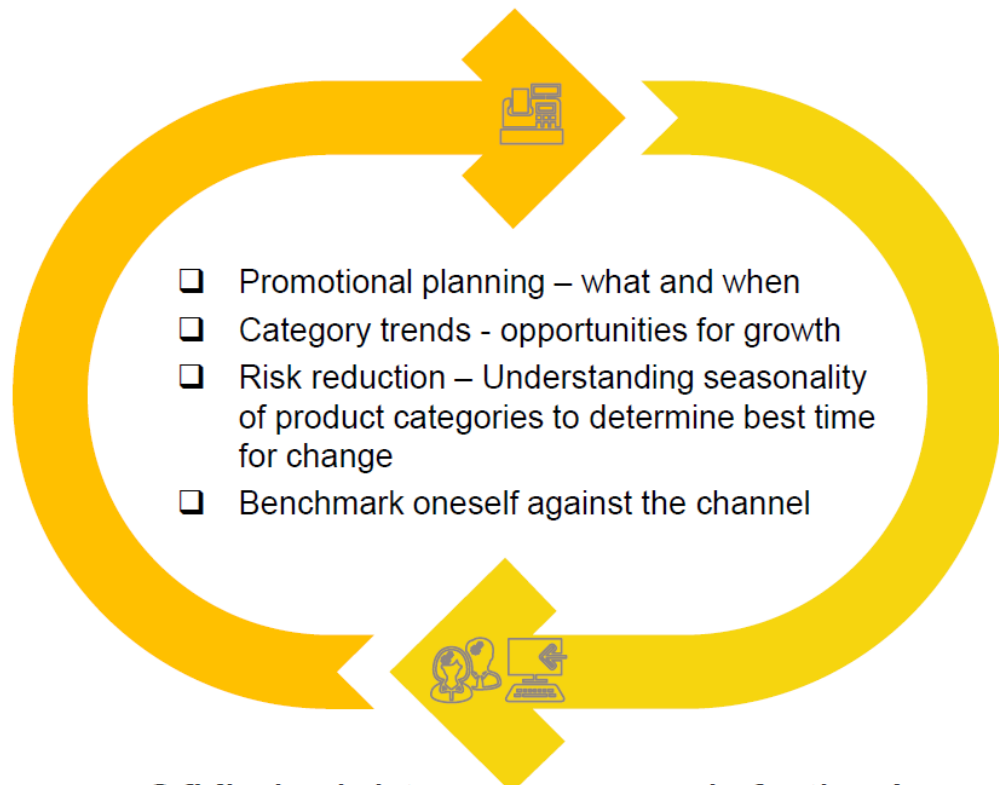
Bricks  
Insulation

#### Lightside

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

How can these top level insights help.

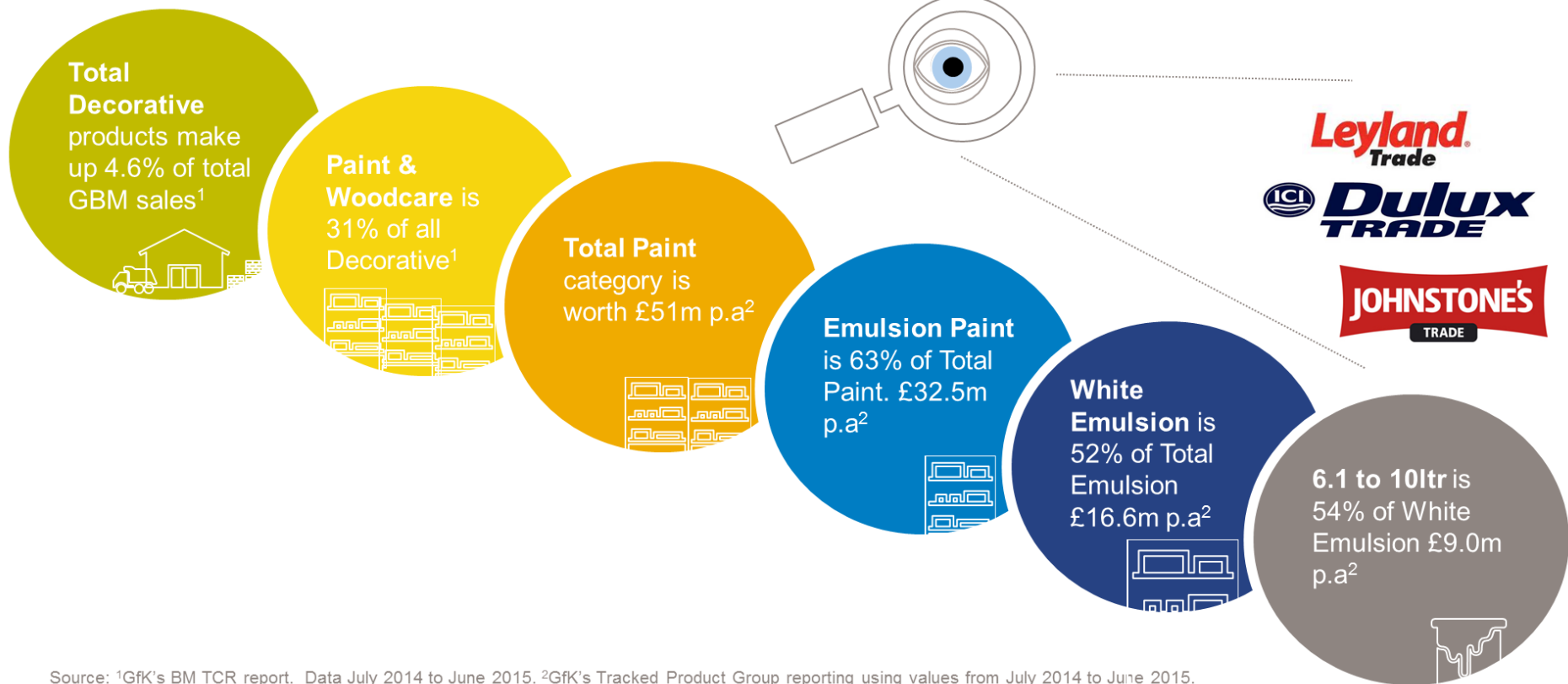
-  **National**  

-  **Multi Regional**  

-  **Regional**  




GfK's insights can go much further!

Gain competitive advantage. GfK provides the most detailed trade insights in the UK

Product group insights at feature by brand level are available.  
Enabling informed strategic and tactical decision making.



Source: <sup>1</sup>GfK's BM TCR report. Data July 2014 to June 2015. <sup>2</sup>GfK's Tracked Product Group reporting using values from July 2014 to June 2015.

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# Macro factors impacting Merchants

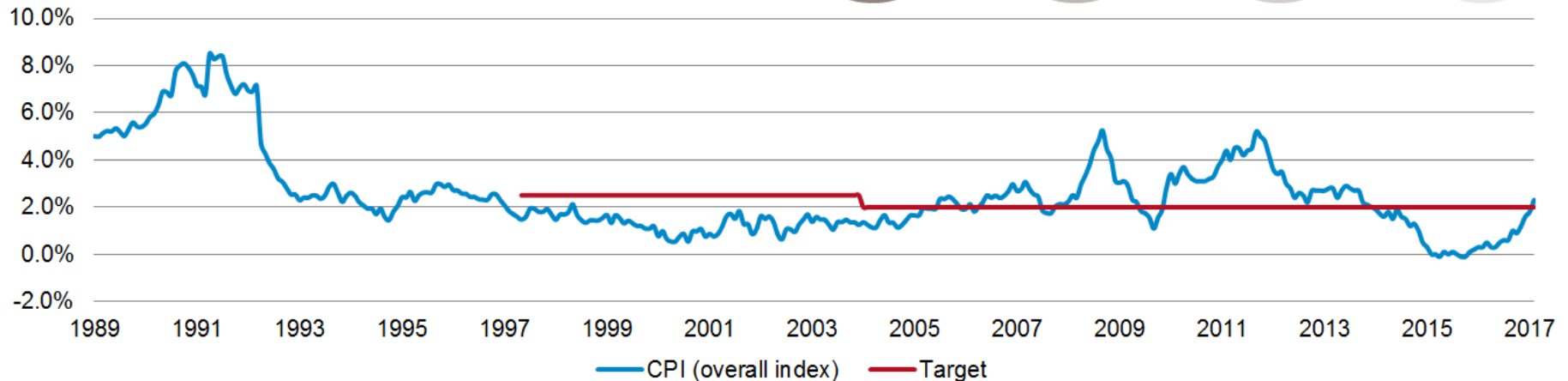


## Inflation

### Consumer Prices Index (CPI) – 12 month % change

- The consumer price index (CPI) is a measure of the price of goods and services used to estimate inflation.
- UK government's stated policy is to use the CPI for the indexation of benefits, tax credits and public service pensions

- The CPI increased to 2.3% in the year February 2017. This is the first time in over 3 years the rate has been above the Bank of England's 2% target



Source: Office for National Statistics

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# Macro factors impacting Merchants

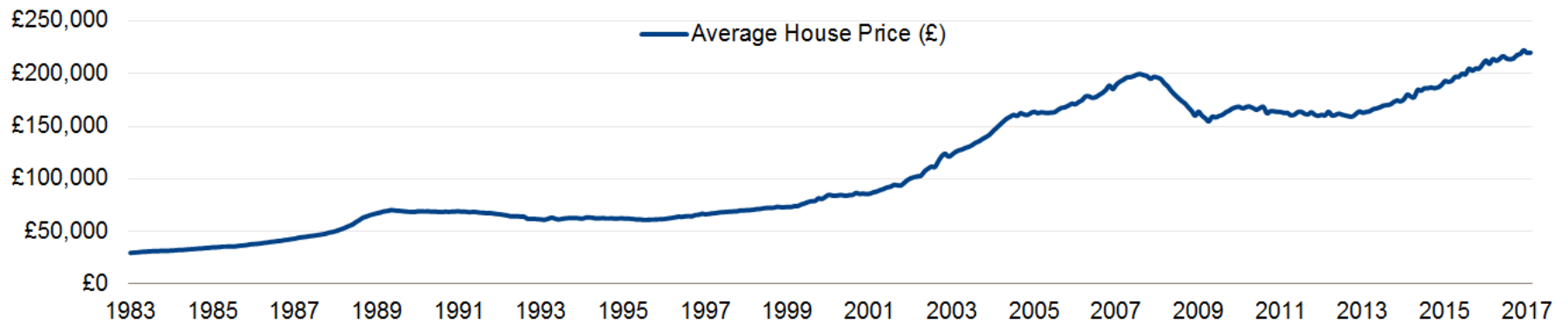


## Standardised average house prices

Average Price (year end)		
2000	£84,868	+36%
2005	£163,139	+92%
2010	£168,390	+3%
2013	£174,220	+3%
2014	£189,426	+8%
2015	£208,286	+10%
2016	£222,190	+7%

- The housing market has seen an easing in house price inflation over the last 6 month.
- This follows a period of sustained growth, fuelled by the economic recovery and rising employment

- At the end of February 2017, the average house price in the UK increased to £219,949 from a revised down £219,741 in January 2017.



Source: Lloyds Banking Group plc

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# Macro factors impacting Merchants



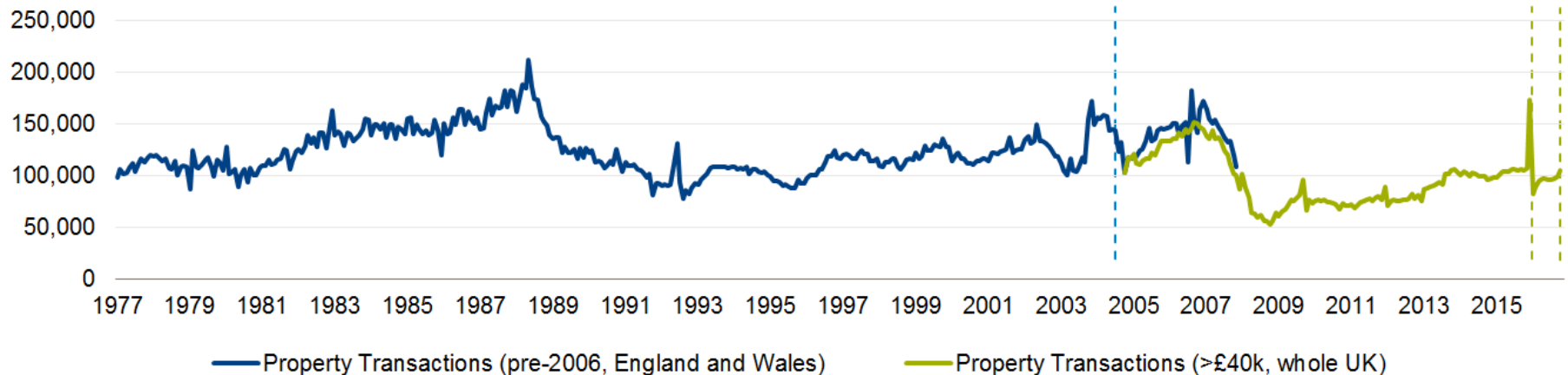
## Property transactions

Monthly transactions, residential, seasonally adjusted

Annual total	
2006	1,668,470
2009	847,540
2010	879,050
2011	883,770
2012	932,000
2013	1,067,700
2014	1,223,120
2015	1,228,710

- Stamp duty was altered significantly on 1st December 2003
- April 2016, major changes to the amount of Stamp Duty property investors will have to pay when purchasing a second home or a buy to let property

- Provisional levels of seasonally adjusted property transactions increased by 5.9% in January 2017 compared to the previous month.



Source: HM Revenue & Customs

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# Macro factors impacting Merchants



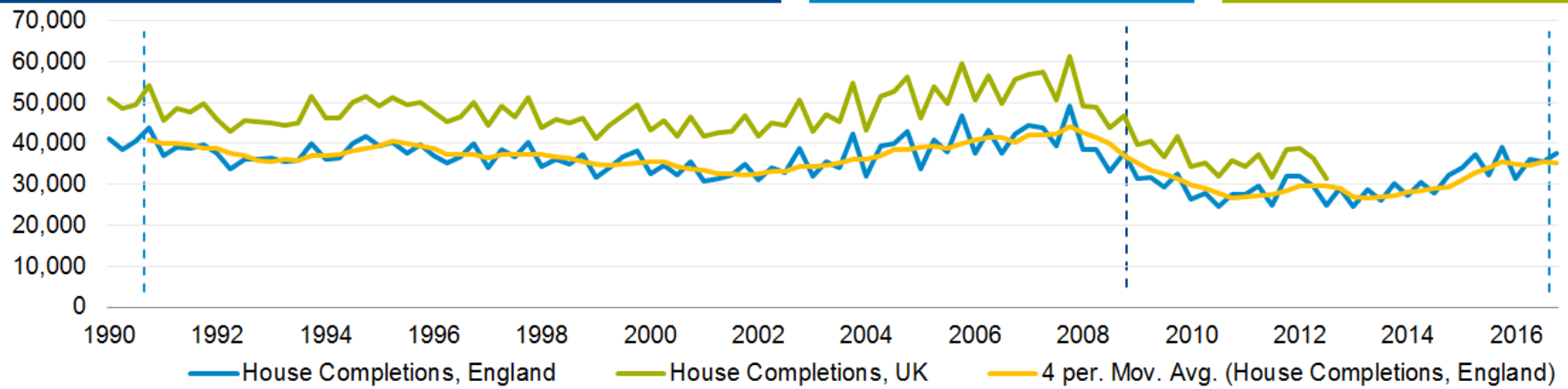
## New house builds

### 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 has stalled in 2016

In Q4 2016, 37,530 permanent dwellings were completed, compared to a Q3 2015 figures of 35,490 (+5.7%)



Source: GOV.UK

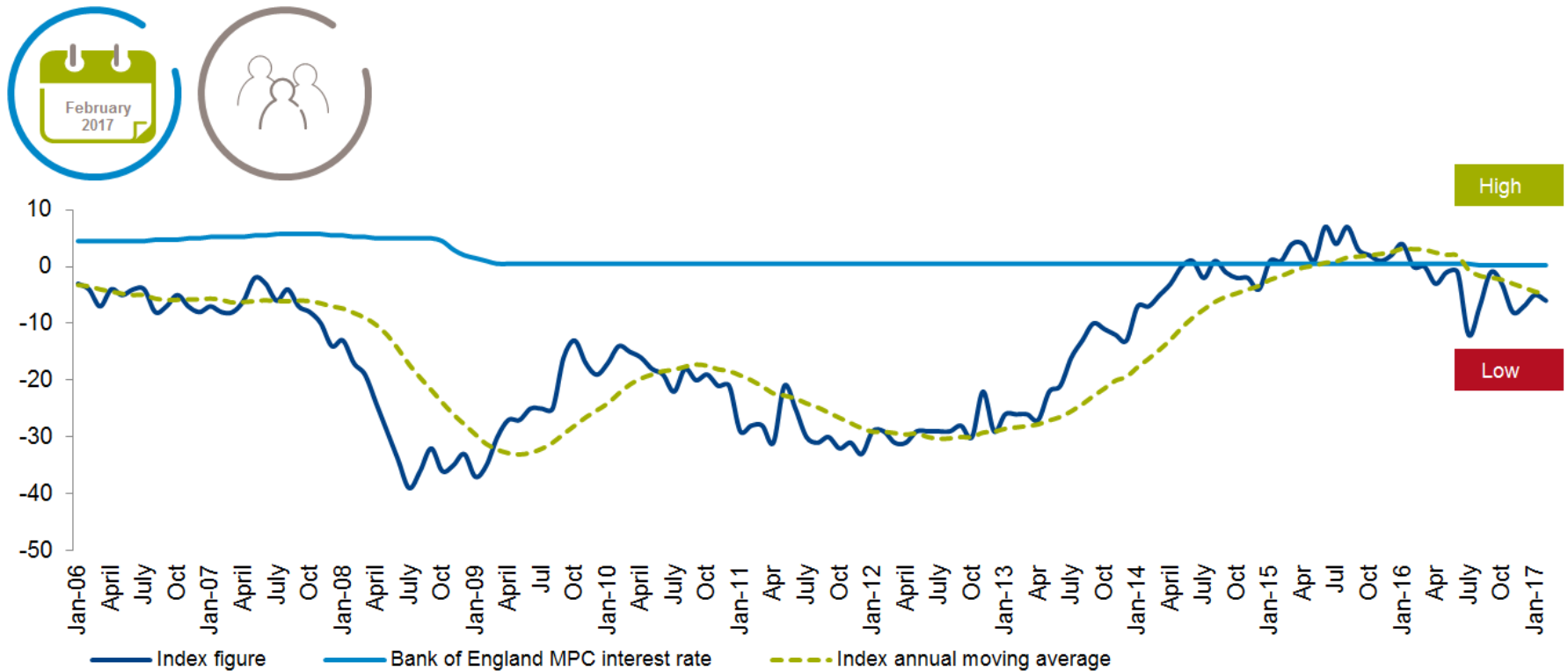
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# Macro factors impacting Merchants



## Consumer Confidence Index



The Index Score is calculated using the results of five questions (1,2,3,4, and 8). The mean score from each of these five questions is combined and the Index Score is the average.

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# Contact Us

## For further information



**Ricky Coombes**

Channel Account Manager

[ricky.coombes@gfk.com](mailto:ricky.coombes@gfk.com)

+44 (0) 7810 633 119



**Richard Frankcom**

Senior Account Manager (Trade)

[richard.frankcom@gfk.com](mailto:richard.frankcom@gfk.com)

+44 (0) 20 7890 9543



**Ammar Qayyum**

BMF Industry Analyst

[ammar.qayyum@bmf.org.uk](mailto:ammar.qayyum@bmf.org.uk)

+44 (0) 2476 854987



**Lucia Di Stazio**

Managing Director

[lucia@mra-marketing.com](mailto:lucia@mra-marketing.com)

+44 (0) 1453 521621



**Mike Rigby**

CEO

[mike@mra-marketing.com](mailto:mike@mra-marketing.com)

+44 (0) 7785 367 716



**Peter Church**

Business Development Manager

[pete.church@gfk.com](mailto:pete.church@gfk.com)

tel +44 (0) 7342 056 050



**Tom Rigby**

Business Development Manager

[tom@mra-marketing.com](mailto:tom@mra-marketing.com)

+44 (0) 7392 081276