

“one **industry**
one **voice**”

Builders Merchant Building Index



Quarter 1 2018

Building the Industry & Building Brands from Knowledge



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Introduction



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 the industry access to far more accurate and comprehensive insights than that available to other construction sectors.

MRA Marketing produces the Builders Merchant Building Index, a brand of the BMF, to communicate to the wider market as the voice of the industry as well as the voice of individual Expert Brands: Crystal Direct, Keylite Roof Windows, Timbmet, Alumasc Water Management Solutions, Hanson Cement, IKO PLC, Keystone Lintels, Knauf Insulation, Encon Insulation, Ibstock, Talasey Group, Heatrae Sadia and Dulux Trade, who provide valuable commentary on market trends and influences.

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 Richard Frankcom at richard.frankcom@gfk.com.

The BMBI website enables you to compare Landscaping trends with Heavy Building Materials, or Kitchens with Timber on our interactive charts. Download current and past reports, read the news or search through comments or blogs at www.bmbi.co.uk. Follow us and the Experts [@theBMBI](https://twitter.com/theBMBI).

Overview and Insights

Richard Frankcom, Client Insight

Director, GfK



We have all seen the reports of a tough start to the year, but sales value growth from the Generalist Builders Merchants (GBM) would suggest they are the diamonds in the rough. Value growth continued in quarter one up 0.4% in absolute terms and up 2.0% per trading day year on year for the quarter.

Growth would have been stronger had it not been for the “Beast from the East” hammering the external product categories and Good Friday falling into March removing a trading day from Q1 2018. March was down -8.6% compared with March last year, as a result of two fewer trading days, but January and February’s sales compensated, at +8.4% and +4.0% respectively delivering growth for the quarter.

Quarterly growth was driven by Timber, up +2.3%, alongside multiple internal product categories, notably Plumbing and Heating (+8.0%), Kitchens and Bathrooms (+3.6%), Ironmongery (+2.1%), and Decorating (+1.2%) - all suggesting that work stayed inside due to the poor weather.

External categories fared less well with Landscaping – where garden walling and paving were particularly badly affected - down -4.9%, and the major category of Heavy Building down 0.8% with Cement and Blocks feeling the freeze.

Well, a diamond in the Rough then? They have outperformed the construction figures from the ONS, which fell 2.7% on the previous quarter (revised from -3.3% as originally published) and in addition, seem to be bucking the UK consumer’s negative outlook as seen in GfK’s Consumer Confidence Index, which was still in the doldrums. However, before we polish these diamonds, we need to see the delayed external work shift into April and then continued growth year on year in May and June. Value growth is great, but price inflation is a factor we cannot ignore and only this continued growth will really give us clarity.

“We need to see the delayed external work shift into April and then continued growth year on year in May and June. Value growth is great, but price inflation is a factor we cannot ignore and only this continued growth will really give us clarity”

Merchants' View

John Newcomb, CEO BMF



Sitting in the spring sunshine we have all but forgotten the cold arctic blasts that swept the country in the first three months of the year. They certainly had an impact on construction and I think most will agree that 2018 got off to a slow start.

The Office of National Statistics (ONS) have already revised their figures for the quarter up by 0.5 percentage points on their initial estimate but they still show that overall output fell by 2.7% on the previous quarter. Even private house building, which has long been the construction industry's star performer saw the number of new house registrations in Q1 fall by 14% over the same period last year.

However, the bigger picture is not all doom and gloom. The ONS statement also points out that construction output reached a record high in the final two months of 2017, and despite this quarter's decrease output remains 22.7% above the sector's low point of April 2013. House starts also picked up in April, with the IHS Markit/CIPS UK Construction Purchasing Managers' Index showing residential work growing at its strongest rate since May 2017, with activity resuming as soon as the March snows melted.

The Federation of Master Builders' (FMB) State of Trade Survey for Q1 2018 reported workloads for SME builders continued to grow slightly, albeit at a slower rate than for the previous quarter. Nonetheless the FMB survey has now recorded five years of continuous growth.

However, increased material prices coupled with extended lead times remains the elephant in the room as far as SME builders are concerned. While some of the claimed lead times we have seen for bricks in the trade and national media are unlikely to stand up to robust investigation, merchants will be only too aware of the pressure on prices and availability for imported timber, certain brick types and roof tiles. Despite this, FMB members continue to predict rising workloads in Q2, which is positive news for merchants.

More positives can be taken from the annual Sunday Times BDO Profit Track 100, the league table which tracks Britain's private companies with the fastest-growing profits. 25 of the top 100 companies are involved in construction and house building.

To sum up, we are not writing off 2018 based on a relatively poor first quarter. We may not see the market grow at the same levels as 2017, but we remain confident that it will continue to grow.

“We may not see the market grow this year at the same levels as 2017, but we remain confident that it will continue to grow.”

Monthly: Index and Categories

March 2017* – March 2018

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



MONTHLY SALES VALUE INDEX	Index	2017										2018		
		Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Builders Merchants	100	122.8	106.7	121.1	120.2	119.2	120.2	117.5	123.4	121.6	76.7	102.6	104.5	112.2
Timber & Joinery Products	100	121.2	102.9	117.1	116.7	116.3	117.3	116.9	124.4	122.1	77.8	108.0	107.6	112.9
Heavy Building Materials	100	123.0	106.9	122.5	121.2	120.6	121.6	119.4	125.8	122.8	75.2	100.5	103.3	110.8
Decorating	100	115.6	98.8	111.0	111.8	114.6	115.6	110.5	115.4	114.9	76.6	101.9	100.8	106.5
Tools	100	120.7	97.2	107.0	109.9	109.8	110.8	110.4	119.2	119.8	75.3	101.3	100.0	111.2
Workwear & Safetywear	100	114.1	85.1	101.4	99.4	95.2	96.2	107.0	112.9	131.0	86.1	117.2	107.3	108.3
Ironmongery	100	129.2	107.5	121.6	124.5	125.6	126.6	123.4	130.6	129.5	85.5	120.4	114.8	118.0
Landscaping	100	129.5	138.1	153.1	146.9	140.8	141.8	117.1	115.8	105.8	60.0	81.3	88.0	104.8
Plumbing, Heating & Electrical	100	128.7	98.3	109.7	110.0	106.6	107.6	120.3	128.9	141.9	97.4	127.2	125.2	136.1
Renewables & Water Saving	100	90.3	68.2	70.2	69.9	66.6	67.6	69.2	78.3	82.2	46.8	75.2	76.3	79.8
Kitchens & Bathrooms	100	123.6	99.3	111.3	118.3	113.7	114.7	114.5	120.2	128.6	85.9	108.2	115.2	120.3
Miscellaneous	100	124.4	103.4	120.5	113.7	117.2	118.2	119.8	118.4	125.3	90.7	114.4	113.2	114.2
Services	100	115.0	100.6	112.4	109.7	110.6	111.6	110.6	114.0	109.2	79.0	93.1	96.4	107.3

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

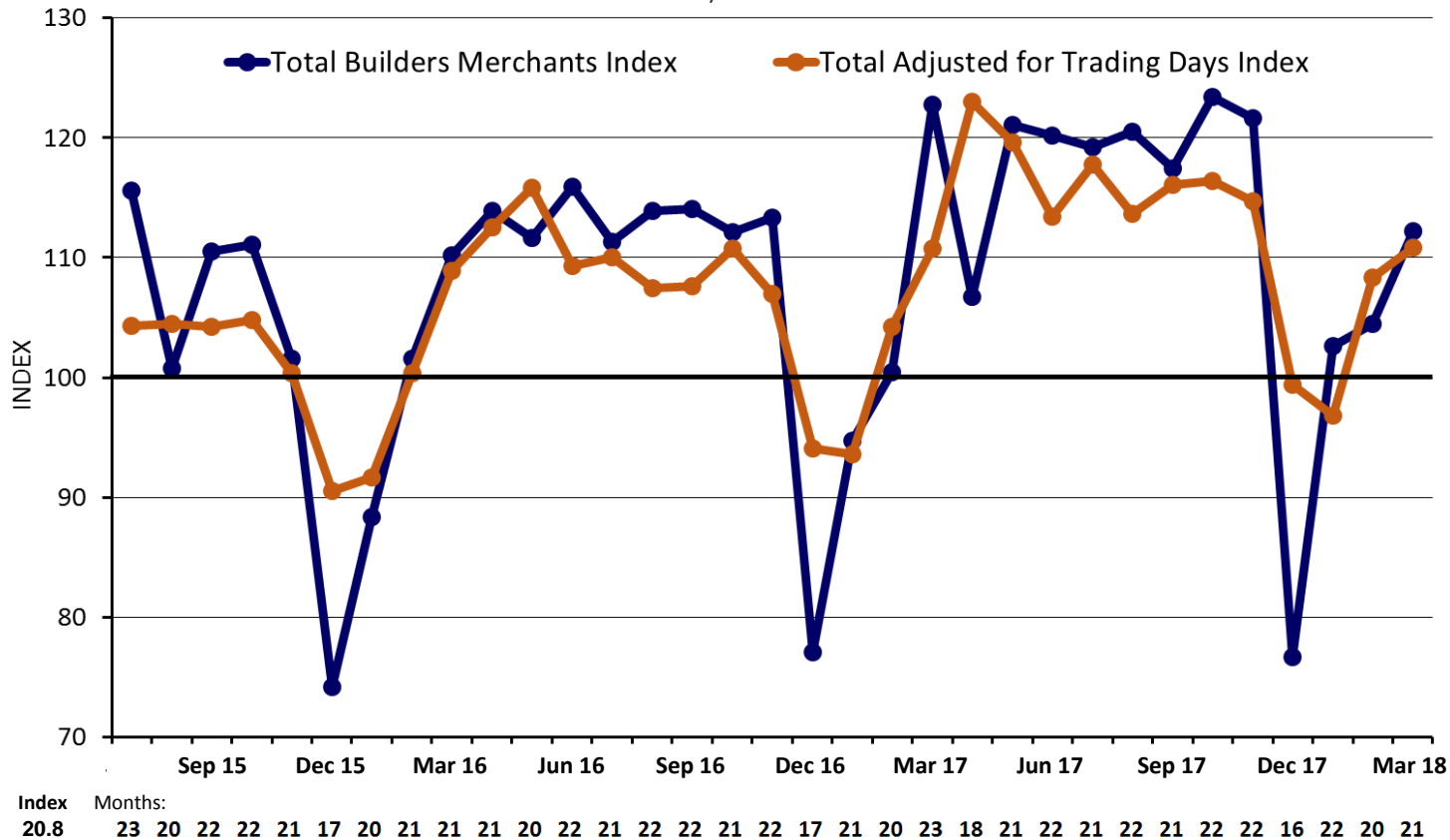
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2018

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



Trading days:

Index 20.8

Months:

23 20 22 22 21 17 20 21 21 21 20 22 21 22 22 21 22 17 21 20 23 18 21 22 21 22 21 22 16 22 20 21

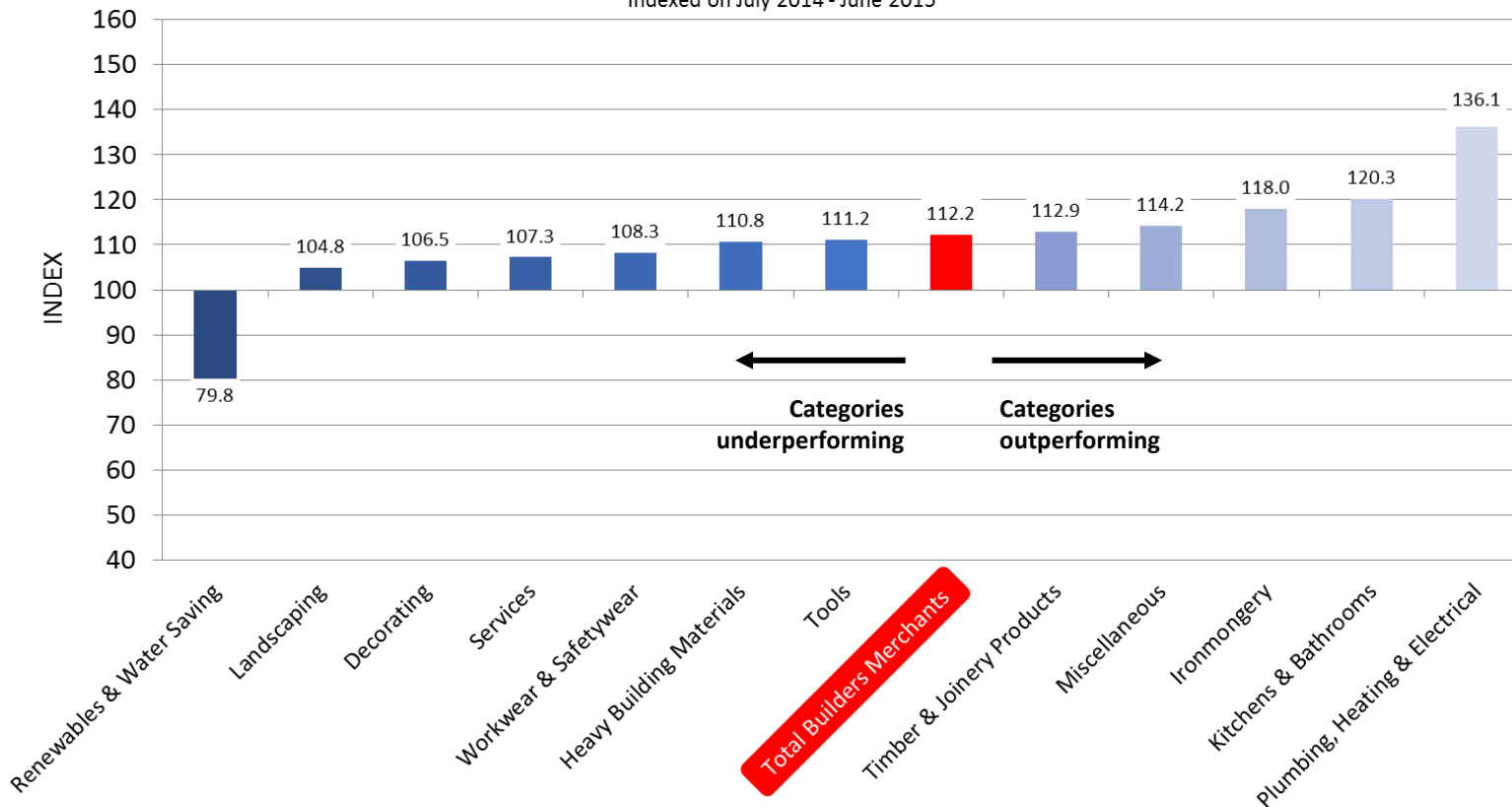
 Source: GfK's Builders Merchants Total Category Report July 2015 to March 2018

Monthly: Index and Categories

March 2018 index

March 2018 Index

Indexed on July 2014 - June 2015

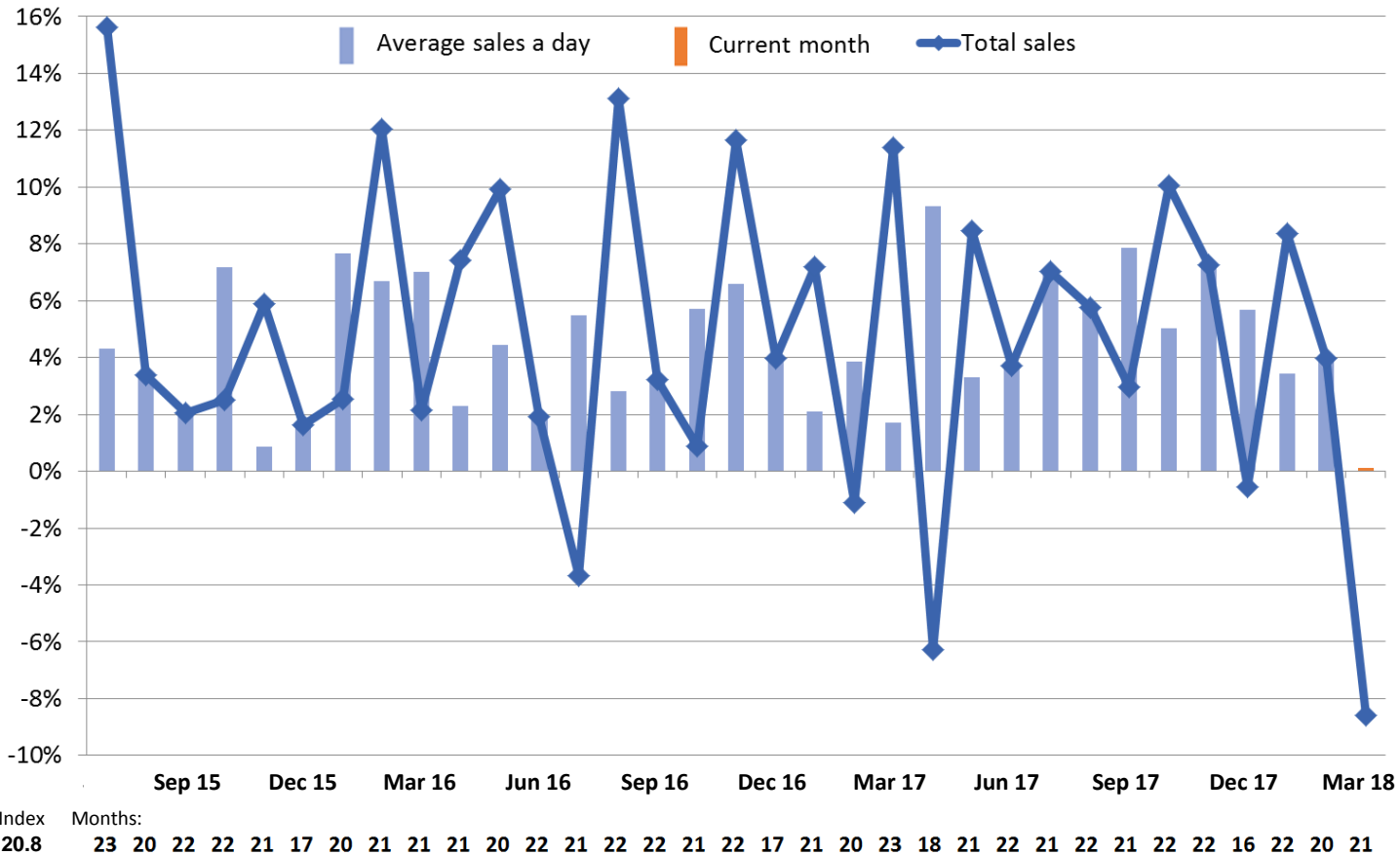


 Source: GfK's Builders Merchants Total Category Report July 2015 to March 2018

Monthly: Sales Indices

Adjusted and unadjusted for trading days

Monthly: Year on Year



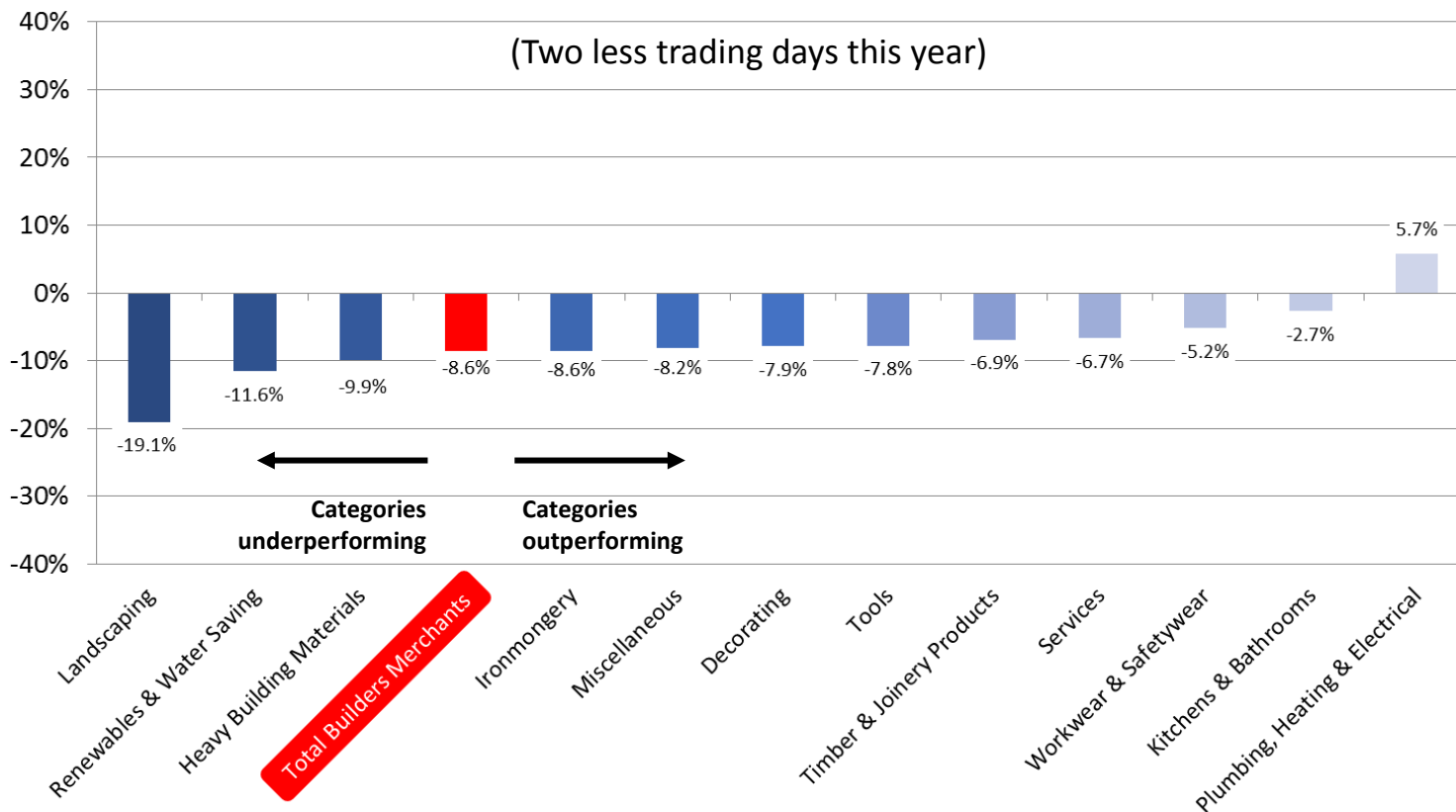
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2018

Trading days: Index Months: 20.8 23 20 22 22 21 17 20 21 21 20 22 21 22 22 21 22 17 21 20 23 18 21 22 21 22 21 22 16 22 20 21

Monthly: This year v last year

March 2018 sales indices

March 2018 index v March 2017 index



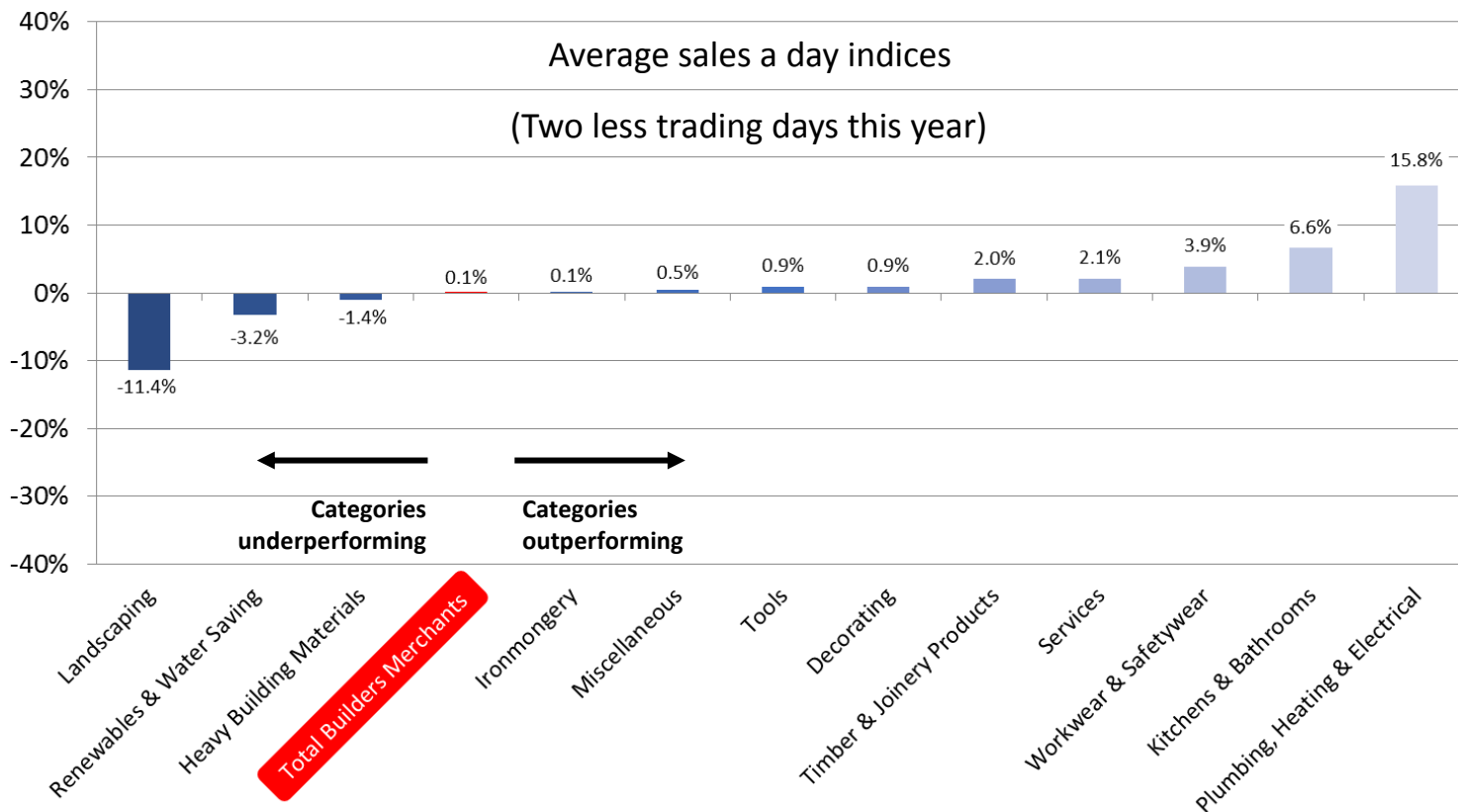
GfK Source: GfK's Builders Merchants Total Category Report July 2015 to March 2018

Monthly: This year v last year

March 2018 average sales a day indices



March 2018 index v March 2017 index



Source: GfK's Builders Merchants Total Category Report July 2015 to March 2018

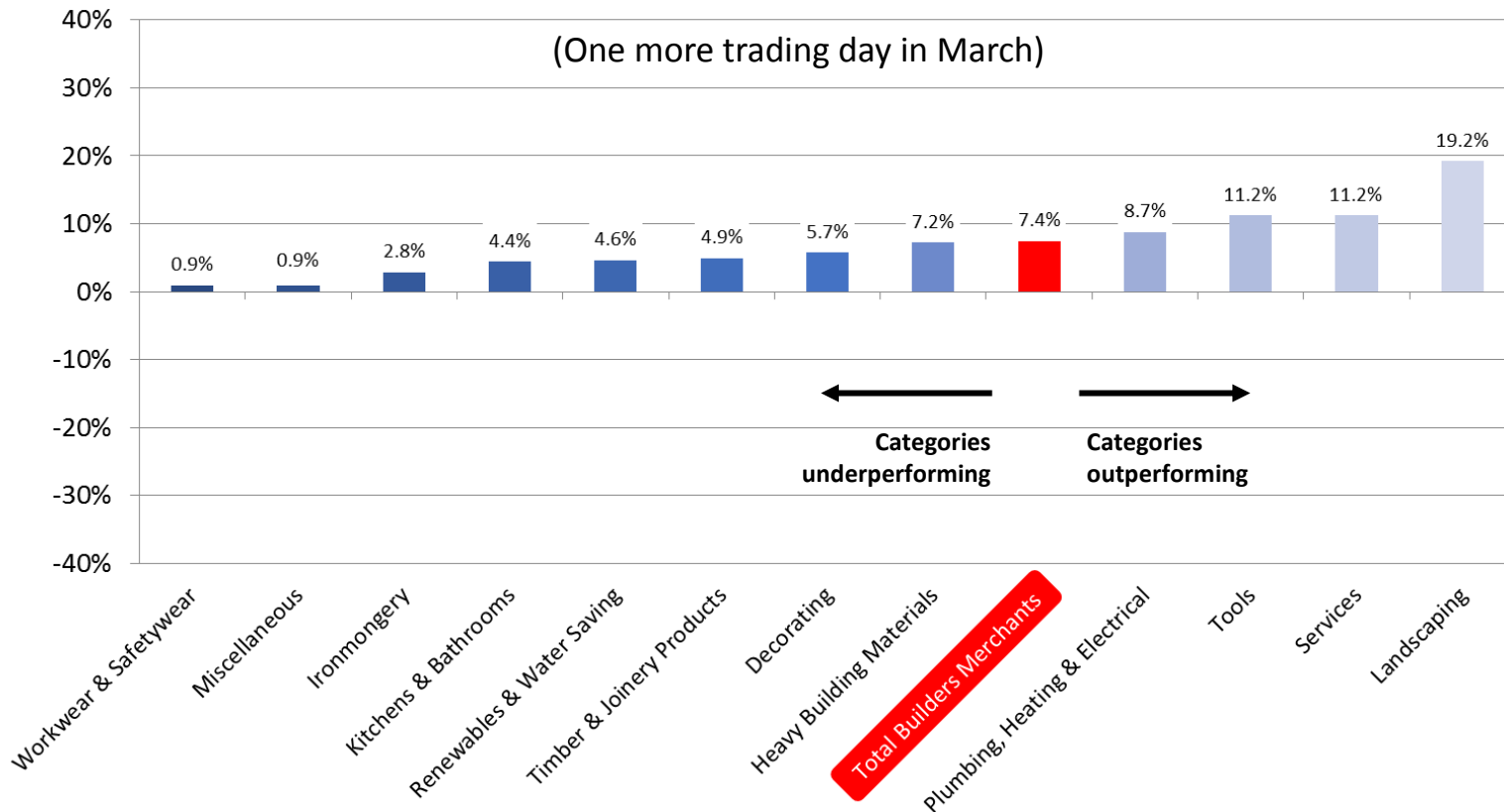
Monthly: This month v last month

March 2018 sales indices



March 2018 index v February 2018 index

(One more trading day in March)



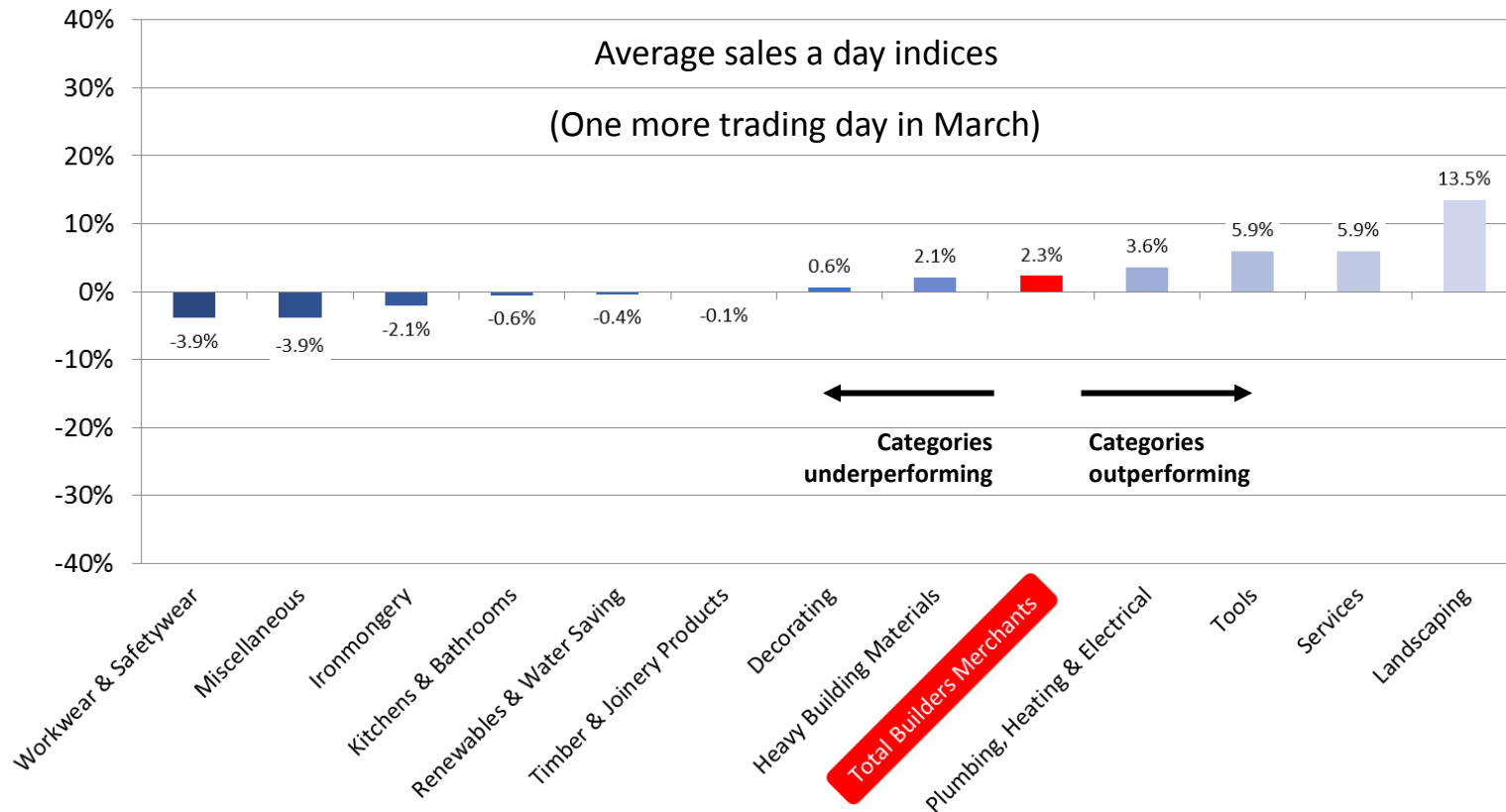
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2018

Monthly: This month v last month

March 2018 average sales a day indices



March 2018 index v February 2018 index



GfK Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2018

Quarterly: Index and Categories


Quarter 1 2017* to Quarter 1 2018

(Indexed on July 2014 to June 2015)



QUARTERLY SALES VALUE INDEX	Index	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Total Builders Merchants	100	106.0	116.0	119.1	107.2	106.4
Timber & Joinery Products	100	107.1	112.3	117.1	108.1	109.5
Heavy Building Materials	100	105.7	116.9	120.7	107.9	104.9
Decorating	100	101.8	107.2	113.9	102.3	103.0
Tools	100	106.7	104.7	109.8	104.7	104.2
Workwear & Safetywear	100	108.8	95.3	100.9	110.0	110.9
Ironmongery	100	115.3	117.9	125.3	115.2	117.8
Landscaping	100	96.1	146.0	130.4	93.8	91.4
Plumbing, Heating & Electrical	100	119.9	106.0	113.4	122.7	129.5
Renewables & Water Saving	100	78.2	69.4	69.0	69.1	77.1
Kitchens & Bathrooms	100	110.6	109.6	115.2	111.6	114.6
Miscellaneous	100	115.5	112.5	120.5	111.4	113.9
Services	100	99.3	107.6	112.4	100.7	98.9

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

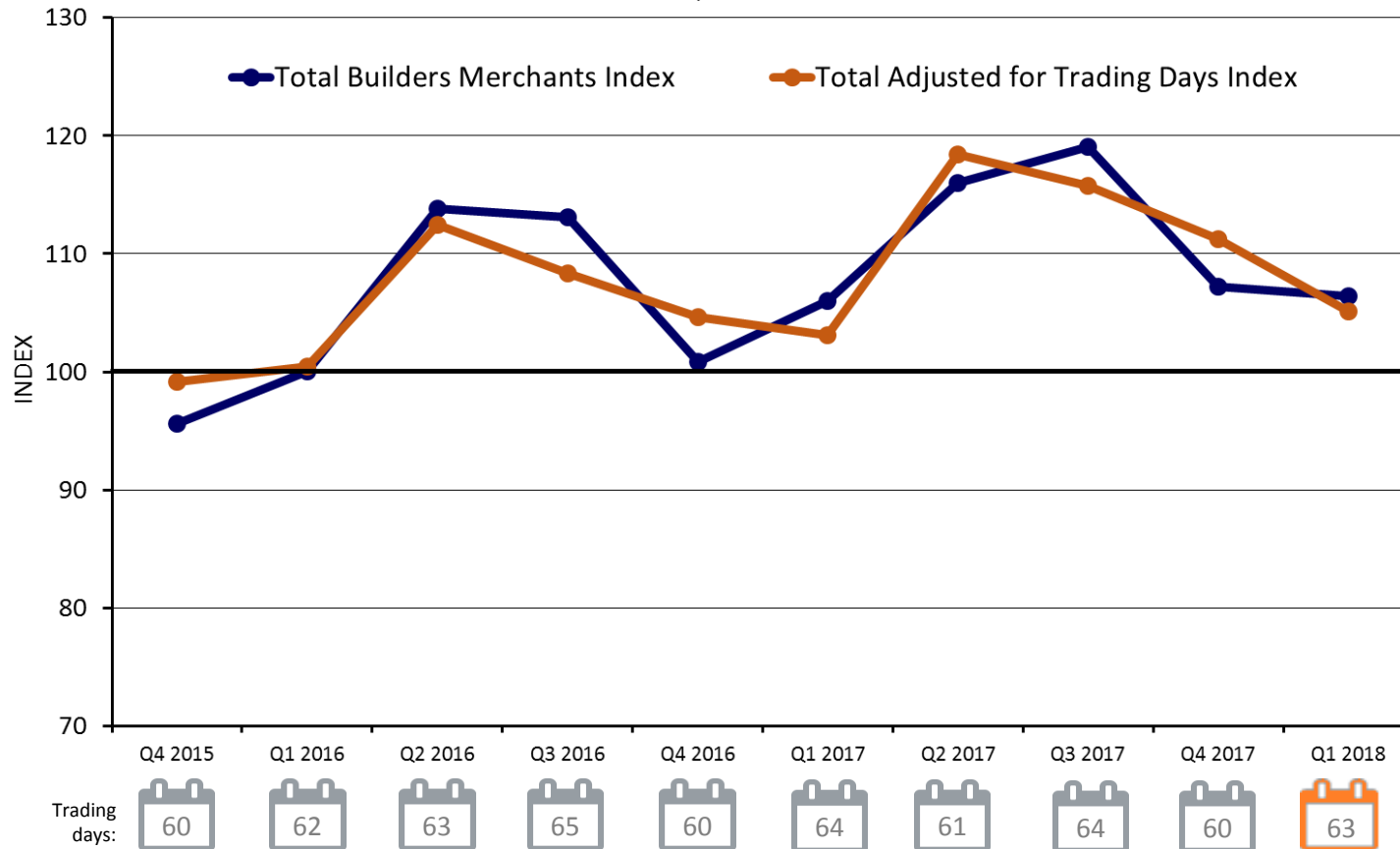
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2018

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



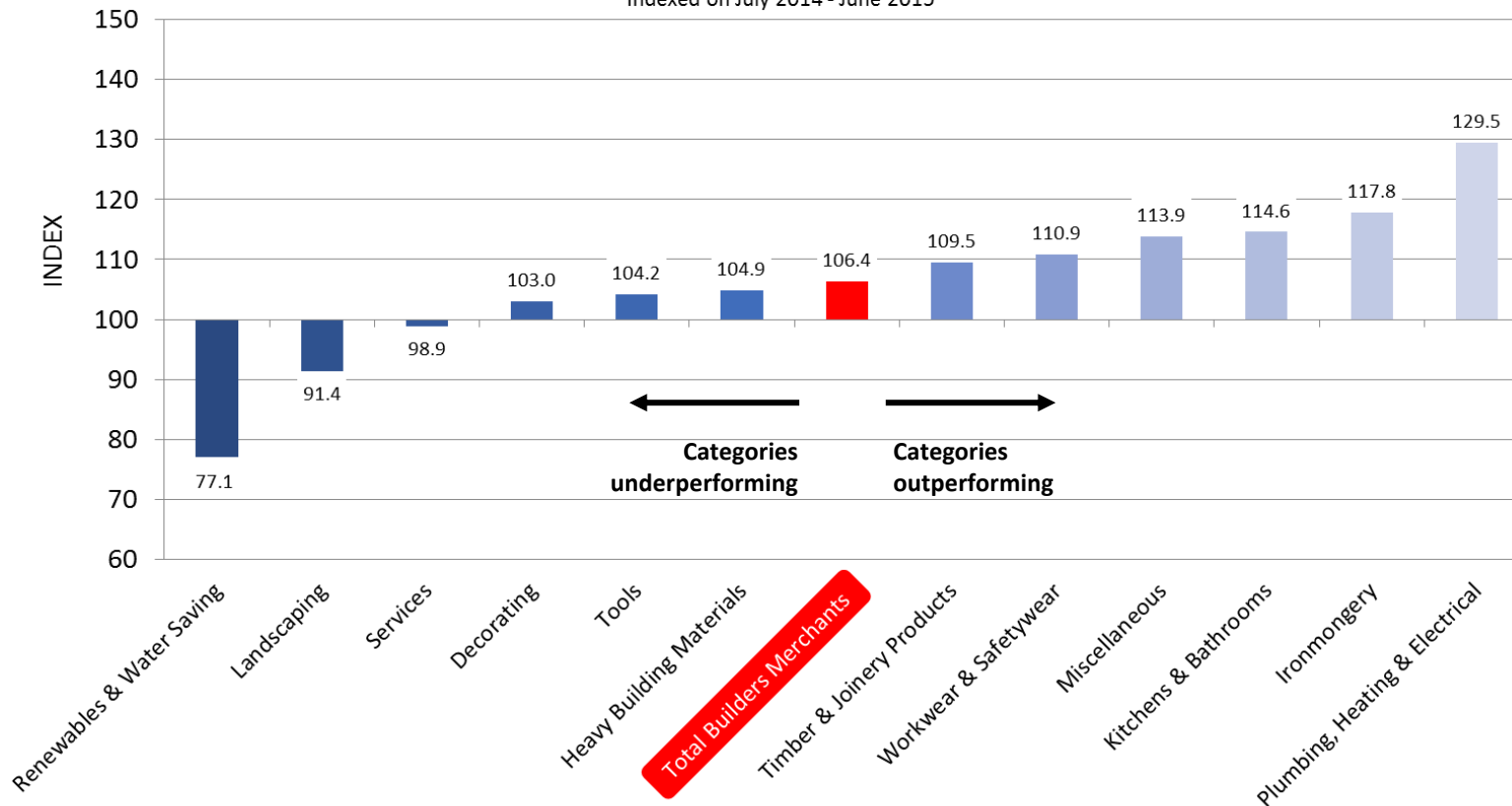
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2018

Quarterly: Index and Categories

Q1 2018 index

Quarter 1 2018

Indexed on July 2014 - June 2015



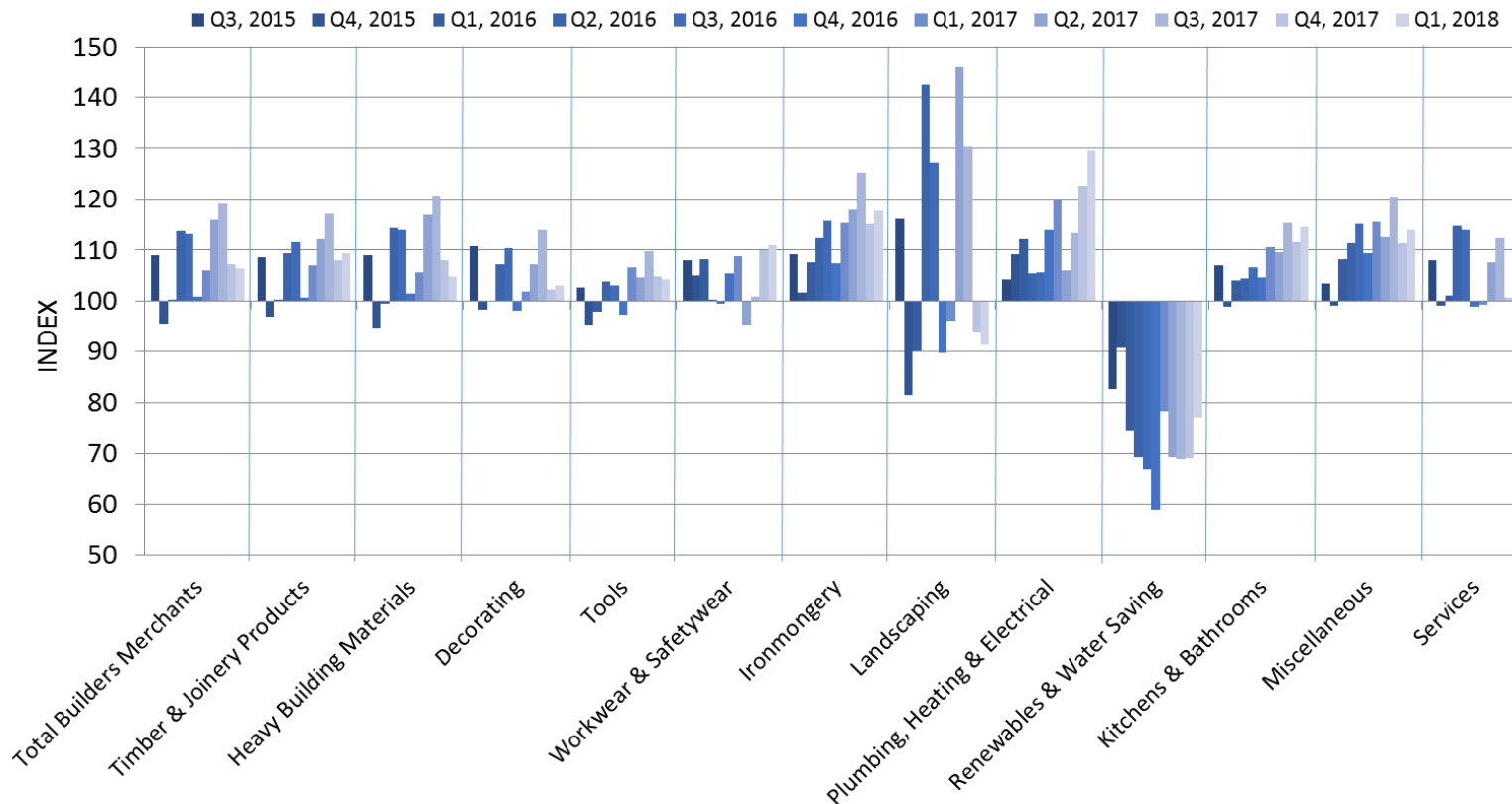
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2018

Quarterly: Index and Categories

Quarterly indices

Quarterly Indices

Indexed on July 2014 to June 2015

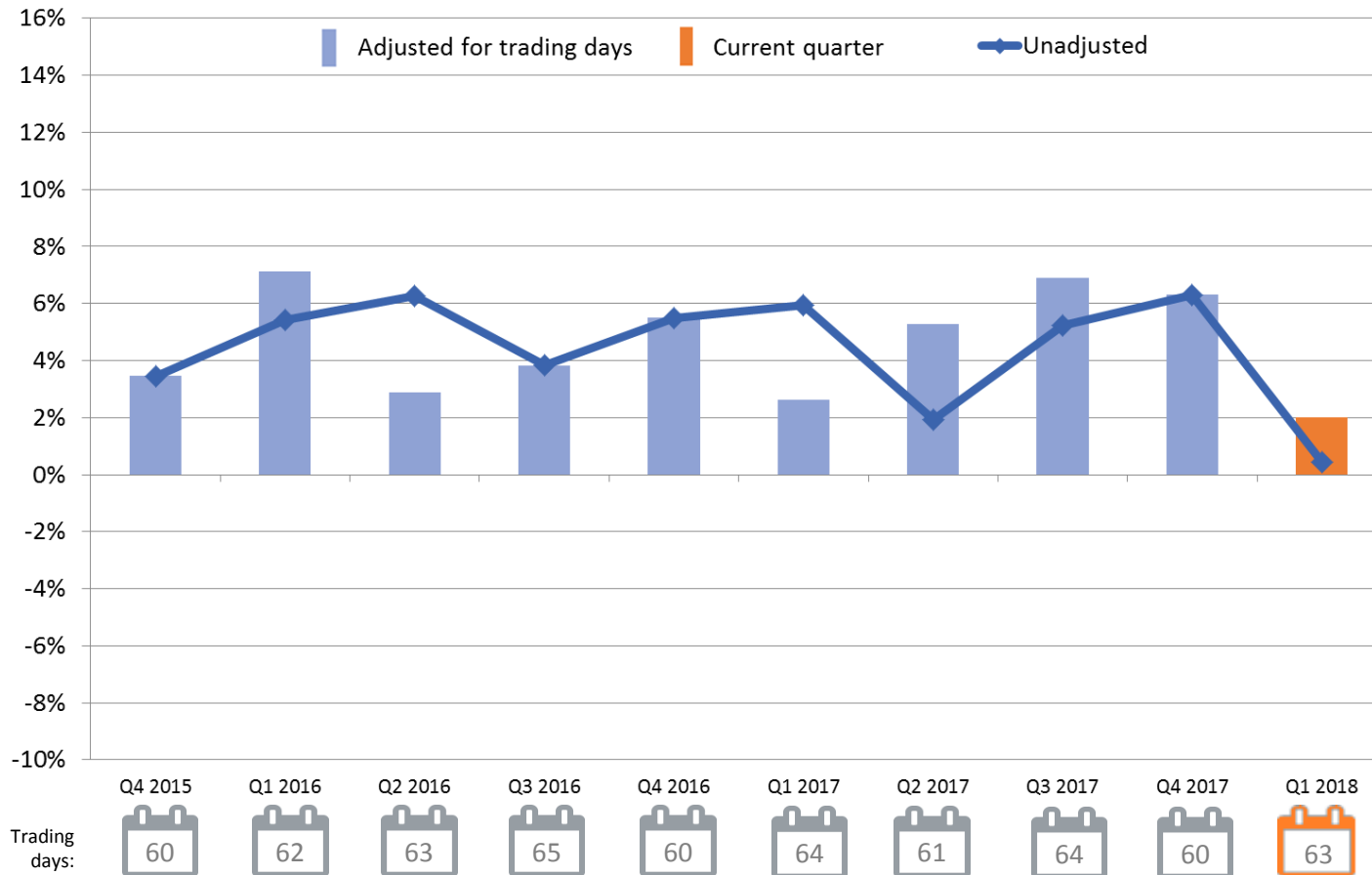


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2018

Quarterly: Sales Indices

Adjusted and unadjusted for trading days

Quarterly Indices: Year on Year

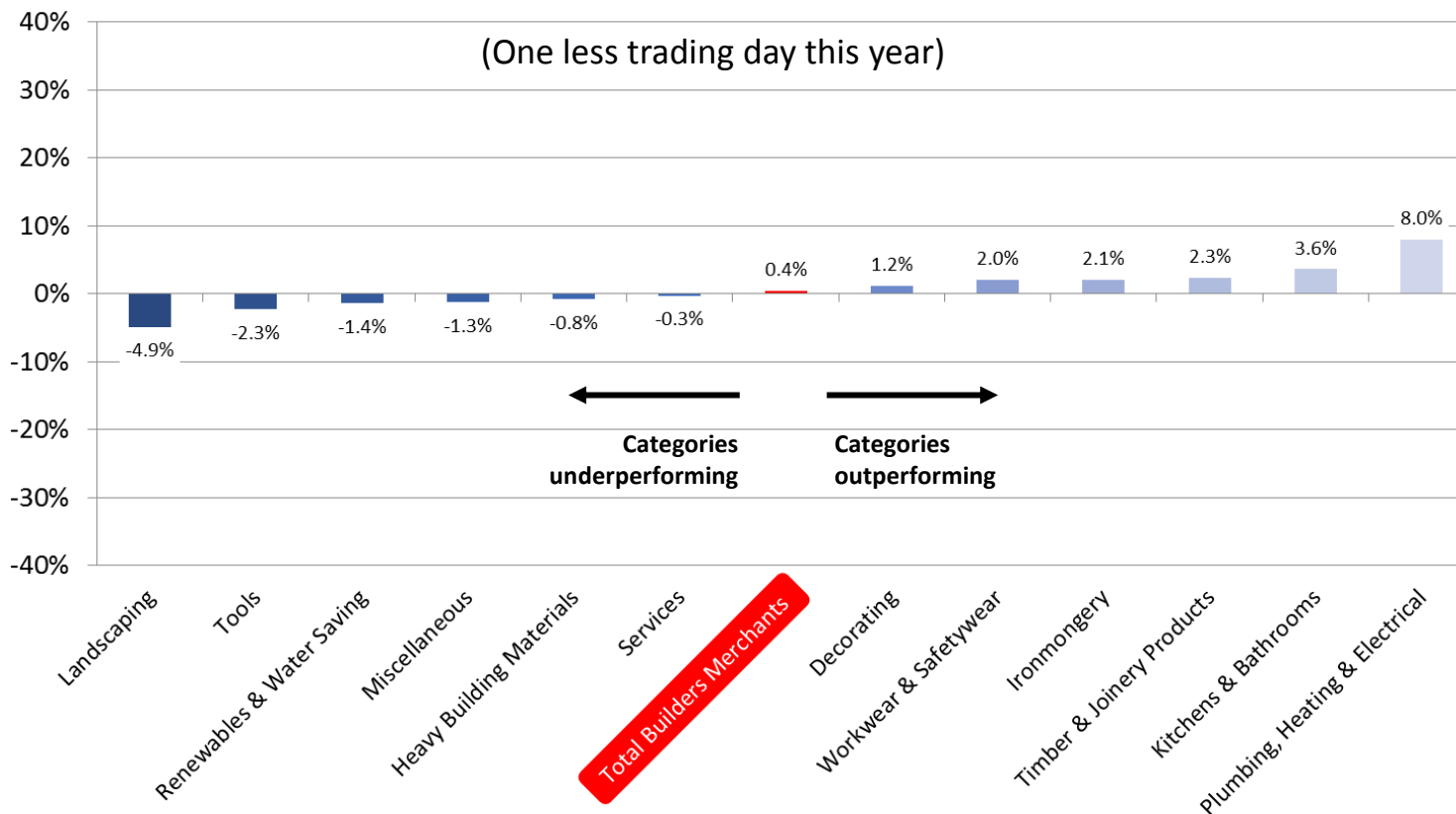


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2018

Quarterly: This Year v Last Year

Q1 2018 sales indices

Quarter 1 2018 index v Quarter 1 2017 index



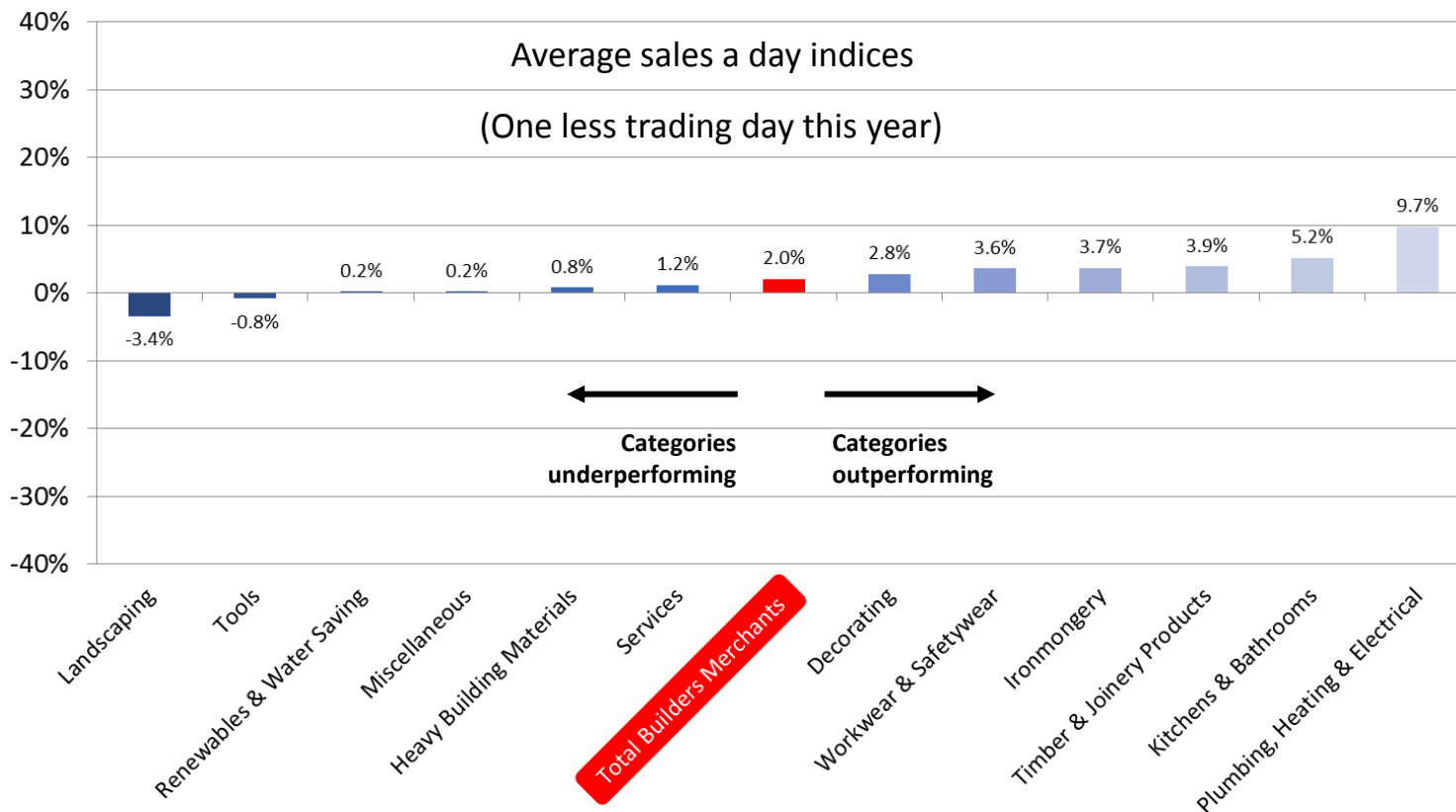
 Source: GfK's Builders Merchants Total Category Report July 2015 to March 2018

Quarterly: This Year v Last Year

Q1 2018 average sales a day indices



Quarter 1 2018 index v Quarter 1 2017 index



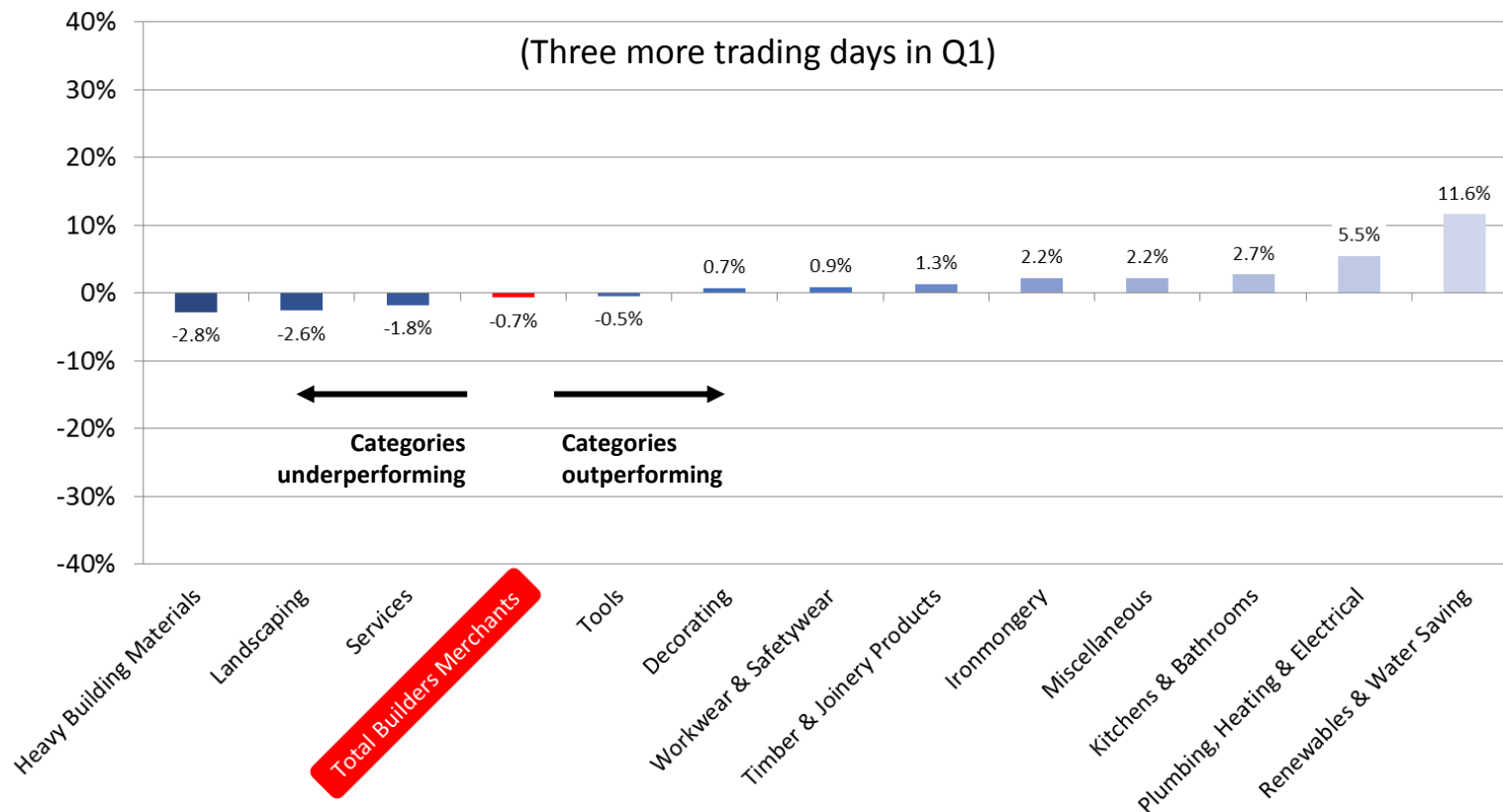
Source: GfK's Builders Merchants Total Category Report July 2015 to March 2018

Quarterly: Quarter on Quarter

Q1 2018 sales indices

Quarter 1 2018 index v Quarter 4 2017 index

(Three more trading days in Q1)

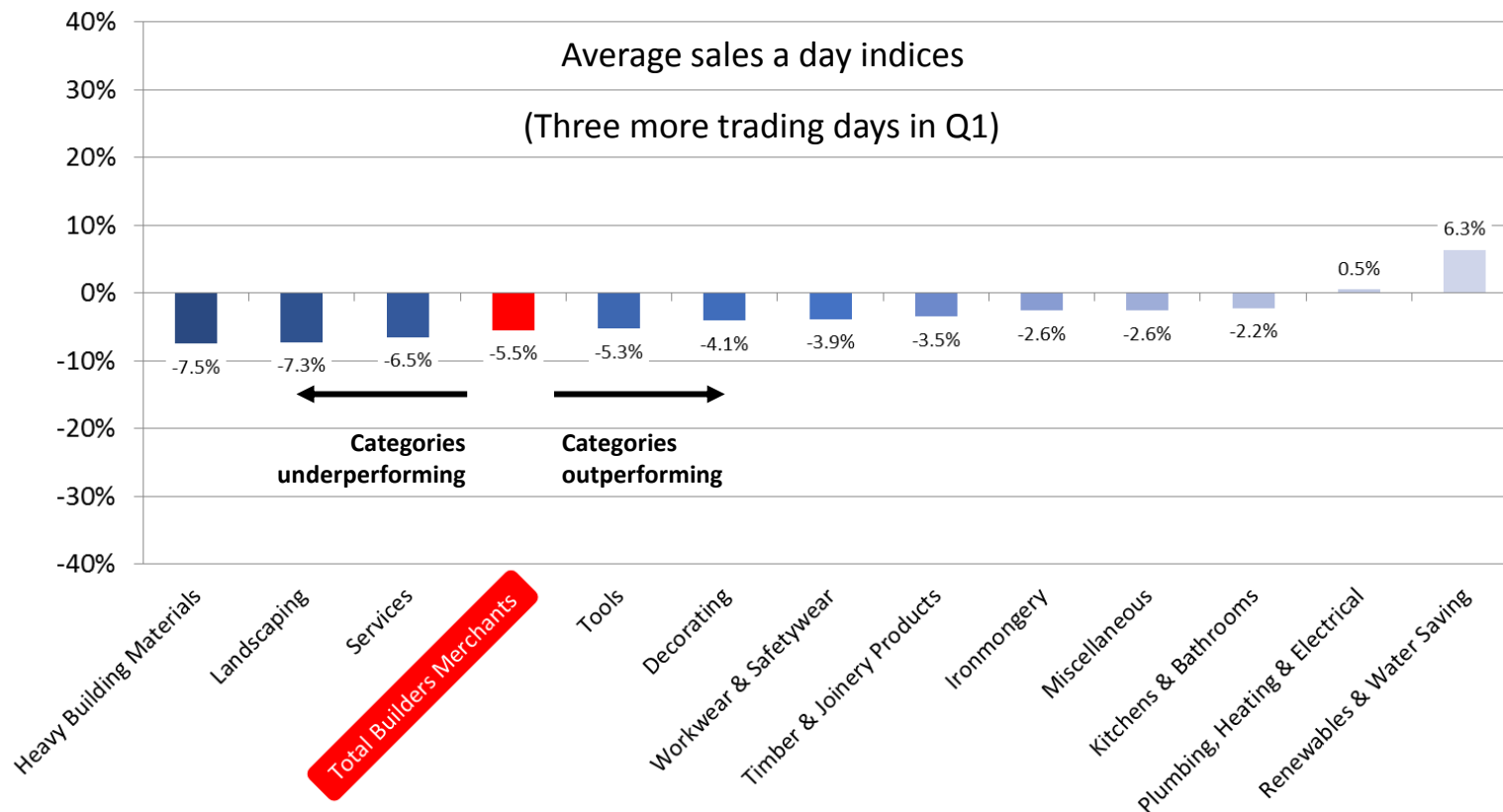


 Source: GfK's Builders Merchants Total Category Report July 2015 to March 2018

Quarterly: Quarter on Quarter

Q1 2018 average sales a day indices

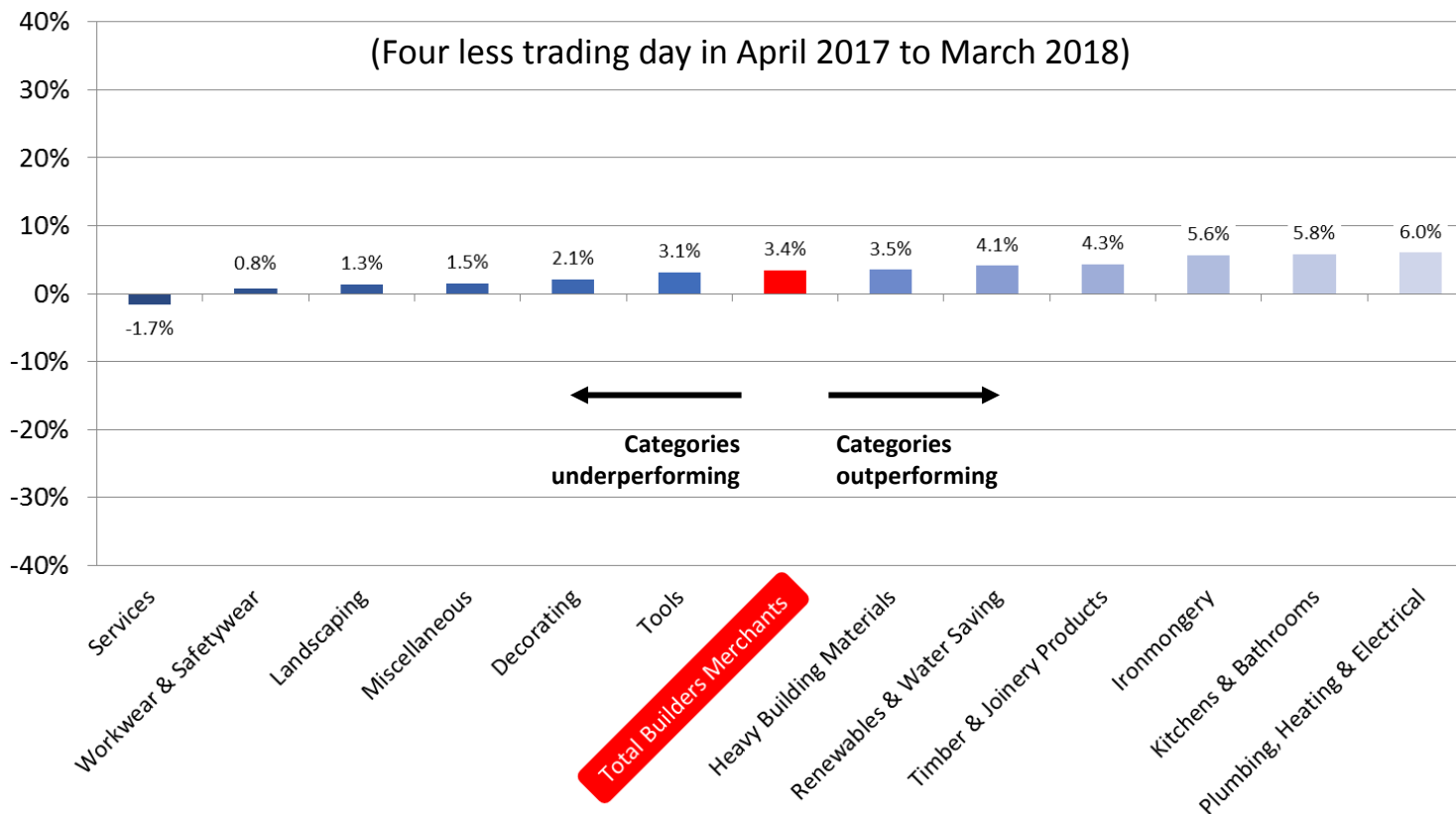
Quarter 1 2018 index v Quarter 4 2017 index



 Source: GfK's Builders Merchants Total Category Report July 2015 to March 2018

Last 12 Months: Year on Year

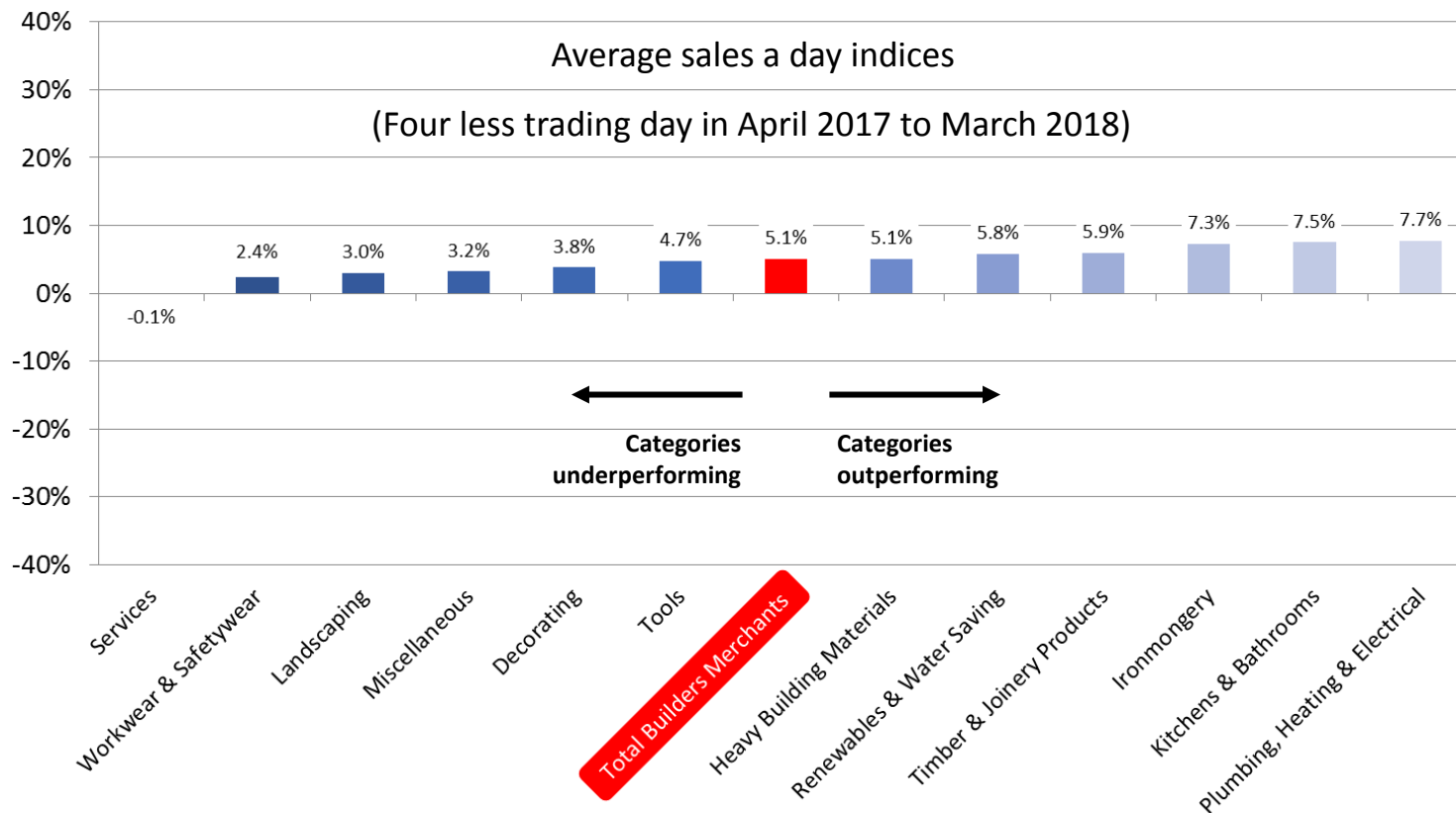
12 months Apr 17 to Mar 18 v 12 months Apr 16 to Mar 17



 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2018

Last 12 Months: Year on Year average sales a day indices

12 months Apr 17 to Mar 18 v 12 months Apr 16 to Mar 17



 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2018

Expert Panel

Paint

(Part of Decorating)



Paul Roughan, Trade Merchants Sales Director Dulux Trade , is BMBI's Expert for Paint.

Performance in the first quarter of 2018 for decorative paint was certainly dominated by the 'Beast from the East'! The weather had a serious impact with some merchants reporting at least four days of lost sales which are likely not to be recovered.

The general retail landscape continues to be under significant pressure. It is impacted by the growth of online shopping, soaring labour costs, business rates and a drop in consumer spending amid economic uncertainty. We eagerly await June 7th for the announcement from Wesfarmers on the future of Bunnings UK & Ireland.

The trade market has fared a little better than retail in Q1 but paint volumes still declined by 1.5%. Value increased in that period by 2.1%, but this increase has predominantly been driven by manufacturer cost price increases. The exterior paint category was also severely impacted by the weather conditions in Q1 with volumes significantly down. We have fingers crossed that the recent good weather continues.

Last quarter I reported on interesting trends in the paint market with the move to water based coatings in the trim categories. This trend continues along with the growth of premium, durable emulsions at the expense of standard emulsions. This is good news, demonstrating that the market is prepared to pay more for premium products that are longer lasting and more environmentally friendly.

One of the key growth sectors has been new build private housing. This sector grew last year by around 5% in the paint category. We are expecting it to suffer this year due to declining house prices across London and parts of the South East. This house price reduction is likely to spread to other parts of the country and as we know, housebuilders are less likely to build when prices are falling.

With Brexit now entering its detailed 'real' phase, uncertainty epitomises the market performance and forecasts.

“The trade market has fared a little better than retail in Q1 but paint volumes still declined by 1.5%.”

Expert Panel

PVC-U Windows & Doors

(Part of Timber & Joinery Products)



No.1 for choice • No.1 for colour



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

The first quarter of 2018 saw buoyant enquiry levels in the merchant sector – nearly 30% up on Q4 2017 and 11% up on Q1 2017. In transactions, Q1 is down -2.5% on Q4 2017, yet 10% up year on year. The PVC-U window and door market continues to grow strongly in the builders' merchants sector, but would it be even stronger if more merchants joined in?

The recent BMN Leading Lights supplement of top builders' merchants compares their year-on-year performance. Growth is a good indicator of business health and many are growing strongly but some are missing out. In the eternal search for new products and markets, larger, lower risk opportunities can be missed: not all merchants sell PVC-U windows and doors.

To compare PVC-U windows with other high-ticket items in merchants' showrooms, total 2017 UK kitchen sales were estimated at around £3bn (MTW Research) and UK bathroom product sales at 0.9bn (AMA Research). We estimate the total market for PVC-U windows, doors and conservatories at around £5bn – comfortably more than the two combined.

Why are builders' merchants doing so well with PVC-U windows?

- Firstly, the market changed as larger window manufacturers took sales from small local manufacturers, who supplied builders directly. Offered bespoke PVC-U windows in fast turnaround times and a wide choice of frames, styles and colour choices, builders are switching to builders' merchants in significant numbers.
- Builders prefer to buy windows from their main building supplies stockists. It's estimated that around 16,000 builders install PVC-U windows, so it's potentially captive business.
- Successful merchants benefit from showroom and sales investment just like kitchens and bathrooms: showroom displays, online configurators and PVC-U window-trained knowledgeable staff.

In today's uncertain economy, shouldn't merchants ask if they're getting their share of this low risk market? Evidence shows builders really want to buy PVC-U windows and doors from merchants. Based on the 3-6% of total sales merchants achieve with kitchen and bathrooms and their sales turnovers in the Leading Lights report, a conservative estimate of 3% of sales translates to around £3m-£6m of window and doors revenue for each of those merchants listed. That's many missing millions!

“The first quarter of 2018 saw buoyant enquiry levels for PVC-U windows and doors in the merchant sector – nearly 30% up on Q4 2017 and 11% up on Q1 2017.”

Expert Panel

Roof Windows

(Part of Timber & Joinery Products)



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

Sales of roof windows in the first three months of 2018 began strongly, despite being affected by March's extreme weather difficulties. We're confident that the year will continue to perform well driven by underlying strong demand, despite many factors causing stresses on the market.

Industry reports on the quarter are more negative than we have experienced. The CIPS/HIS Markit UK Construction PMI reported a fall to 47.0 in March, down from 51.4 in February, mostly as a result of the extreme weather. This was the fastest drop in new orders since July 2016 and the first time in six months that the index fell below the 'no change' score of 50. Roof windows were not as badly affected as the industry in general and we have made good progress in replacing lost time.

There is a fear that it was not just the weather that contributed to a weak first quarter performance. With high street spending falling and wage erosion caused by low or no increases, merchants must be hoping that RMI activity – the core of the roof window market – will stay positive.

Looking to those positives, the industry must take heart from the fact that low interest rates continue – at least for a while. The industry is hoping that these conditions will actually boost RMI – with more families deciding to 'improve not move' as the means to meeting their housing needs.

The looming pressures of Brexit and its effect on currency continues to make its presence felt in UK pockets. However, as manufacturers we must keep our heads down and continue to keep providing our merchant customers with quality products to meet consumers' needs.

The trend towards white PVC roof windows and innovative products to suit busy lifestyles continues. As long as we can succeed in meeting these needs, we believe the roof window industry will continue to grow despite external pressure.

“Sales of roof windows in the first three months of 2018 began strongly, despite being affected by March's extreme weather difficulties.”

Expert Panel

Timber & Panel Products

(Part of Timber & Joinery Products)



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

Poor weather during the first quarter of 2018 saw a weaker than expected demand for timber and panel products. Construction activity was slow but the market saw some recovery going into April. Looking at the quarter year on year, the underlying trend remained flat and the sector still faces a challenge.

Overall global demand is generally strong for timber and panel products. Chinese requirements continue to be a dominating factor when looking at availability and price. Hardwood availability is good but some panel product supply is still inconsistent.

Hardwood timber supply in Q1 saw a strong demand for oak – both European and American. The fierce demand for American white oak log has given rise to price increases. The cost of European oak, although currently steady, will continue to rise due to demand and limited log availability. Volumes of sawn European oak available this year will be less than last year.

African timber supply is being affected by port delays in Doula, Cameroon – the major export point for African species. This reduced flow of wood means the future is uncertain although there is currently availability for most species. We should expect shortages and price increases.

The decking season has now started and demand for traditional hardwood decking is strong. Availability is generally good but worldwide popularity of species such as Balau could lead to shortages.

Supply of panel products remains difficult with many products on allocation from manufacturers. With P2 furniture grade chipboard, manufacturers are looking to add value by adding decorative faces. This means a reduced supply of unfinished raw board and most has to be imported from central Europe.

OSB (Oriented Strand Board) supply has now stabilised with additional UK production and imports. However, the availability of MDF (Medium Density Fibreboard) remains a concern. Demand will put manufacturers under pressure as the year progresses.

“Construction activity was slow but the market saw some recovery going into April. Looking at the quarter year on year, the underlying trend remained flat and the sector still faces a challenge.”

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.

I expect our experience of the first quarter of 2018 is similar to other heavy side manufacturers. Following a positive start, adverse weather conditions in March and April led to a significant slowdown in sales and delays in project completions. We now have a six week lag in the supply chain that is unlikely to be recovered.

While housebuilding is holding up reasonably well, the uncertainty and slowdown in commercial new build and RMI is more significant. The civils market never really got going this year, even though infrastructure growth remains positive. The fallout from Carillion has made the whole contractor supply chain cautious, resulting in a great deal of rebids for new work. This is adding further delays in the project pipeline.

The short-term outlook for metal rainwater remains positive. However, this market is influenced by housebuilding activity. Rainwater is one of the final products to be installed on-site, so this sector may not have seen the full effects of any project delays in construction. The greater area of concern is that delays in commercial and large infrastructure projects will push back rainwater installations and reduce sales later in the year.

Credit limits are being pulled on some installers, adding to the problem. In addition, market and economic uncertainty means that larger contractors in particular are less inclined to invest in people or new technology that would help speed up project completions. Therefore, we don't feel that business lost in Q1 will be recovered in 2018.

The prolonged uncertainty of Brexit and constant infighting in government is extremely disruptive. The threat of tariffs by US President Trump, and the consequent political disputes, has caused a significant rise in the price of aluminium. This has a knock-on effect on the cost of aluminium rainwater and causes further uncertainty.

Overall, it's been a tough start to the year. However, products and systems sold via merchants continue to perform well and demand in housebuilding remains. We do believe that the next quarter's performance will be more positive.

“The threat of tariffs by US President Trump, and the consequent political disputes, has caused a significant rise in the price of aluminium. This has a knock-on effect on the cost of aluminium rainwater and causes further uncertainty.”

Expert Panel

Cement & Aggregates

(Part of Heavy Building Materials)



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

Following an improving construction market towards the end of 2017, the latest Mineral Products Association report shows 2018 started slowly, with sales of heavy-side construction products declining compared with the final 3 months of last year.

Asphalt and aggregates sales volumes were off by 4.8% and 4.9% respectively, with ready-mixed concrete down 7.7%. It's the biggest quarterly fall for five years, with March's particularly cold weather partly responsible, but continuing political uncertainty and lack of investor confidence at the root of the decline.

Much like the weather, the economy is variable and hard to forecast. One week the news is bad, and forecasters adjust their outlook down, then there's a more optimistic take from the BoE and forecasts nudge up a bit.

London construction is slowing, but Manchester, Birmingham and Bristol are busier. Infrastructure is slower than predicted, while housing is more active. But properties are shrinking, with more flats and smaller houses, which impacts on building material requirements.

Forecasting is complicated and difficult: is the market slowing or was it the weather? We'll have to wait for Q2.

The Government's commitment to cut plastic waste by changing consumer habits is welcome from an environmental and economic view. But, applying the policy to construction without thinking it through is not practical or beneficial. Unintended consequences are far greater than the benefits.

Traditionally, cement was supplied in paper packaging, but the cost, inconvenience and environmental impact of wasted material prompted a search for better packaging with less waste and lower whole-life environment impact. Robust plastic packaging solves many practical cement bag handling and storing problems, and it's been widely welcomed as a huge improvement throughout the supply chain. However, since the launch of plastic there has been considerable innovation from paper manufacturers which merchants can take advantage of by tailoring their ordering profile seasonally, taking an increased proportion of paper bags in the summer months. This can help with continuity of supply and offer customers the best value product at the right times

“It's the biggest quarterly fall for five years, with March's particularly cold weather partly responsible, but continuing political uncertainty and lack of investor confidence at the root of the decline.”

Expert Panel

Roofing Products

(Part of Heavy Building Materials)



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

Following a mixed picture in Q4 2017, this first quarter started much more positively for roofing. Storms and poor weather over the Christmas period generated demand for roofing repairs and replacements early in the quarter. Snow in March however brought business to a halt for many installers and its clash with the Easter break compounded the problem. The Construction Products Association (CPA) estimated that lost working days due to the snow and the collapse of Carillion cost construction £1.6 billion. Half of this loss may be recoverable over the course of the year but it's a big hole to fill.

Housing has been the growth driver for RMI, but we expect this to slow in coming months. In April, Halifax reported the biggest decline in house prices since September 2010. Bad news from some of the UK DIY sheds is also concerning. In March, a credit insurer withdrew credit insurance from Homebase/Bunnings. Credit was withdrawn following poor results and owner Wesfarmers' announcement that they'd mishandled the acquisition and could abandon the UK. B&Q is also under pressure, with Kingfisher reporting a decline of 5.1% in Q4 due to softening in demand for big ticket items such as kitchens.

The specification market has been hit too. The closure of Maplin and Toys'R'Us means that fast growing retailers like Lidl are pausing plans to build new stores, while they look at options to move into empty retail units. This must impact sales volumes for large commercial projects.

I feel that the industry is yet to feel the full impact of Carillion. While jobs are being delayed for six to nine months, they've not been cancelled. However, the shortage of labour and skilled contractors is affecting project starts and completions.

Although the industry has many challenges, there are also opportunities to build share by diversifying into new areas outside traditional markets, such as highways, or offering added value solutions to avoid competing on price. It's also important to keep encouraging best practice in roofing, and we've been pleased to see the positive adoption of the new Safe2Torch initiative. We will continue to support this, as well as investing in the development and training of roofing contractors to encourage consistently high work standards.

“Following a mixed picture in Q4 2017, this first quarter started much more positively for roofing.”

Expert Panel

Steel Lintels

(Part of Heavy Building Materials)



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

What a difference a year makes – comparing the first three months of 2018 with Q1 2017. In 2017 we saw 'highs' in volume due to bulk buying ahead of significant price increases driven by rising steel prices. In 2018 we have had 'lows' due to prolonged poor weather. Housebuilders have reported up to 20 days lost on some sites and in reality that may be time that has been lost for the rest of the year. It is therefore extremely difficult to give a fair comparison between the two quarters. The joys of spring!

Now with the sunshine back, quarter two is getting off to a much improved start, and optimism is oozing back into the industry. When we review the quantity of enquiries received in the first quarter, it seems that some work will just be delayed. This is good news that the work is still there, even though we may not see all these recovered sales within calendar year 2018.

Once again the steel market is under strong pressure on pricing. US President, Donald Trump and his 25% levies are certainly unsettling the market in the short term, and possibly increasing prices in the long term. As always with steel, it's not an easy commodity to second guess.

With the lost days on site during the spring, we hope all manufacturers have been able to build stock, assuming, of course, that staff were able to travel to work. Steel lintels, being within the fabric of the building structure, are affected by the overall supply chain of all heavy-side products required on site. Our concern is that in the longer term such key material shortages will force builders to review alternative 'off site' methods of construction that offer a greater confidence and surety in supply.

“In Q1 2018 we have had 'lows' due to prolonged poor weather. Now with the sunshine back, quarter two is getting off to a much improved start, and optimism is oozing back into the industry.”

Expert Panel

Mineral Wool Insulation

(Part of Heavy Building Materials)



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

Despite adverse weather conditions in February and March, it's not all gloomy news for the construction industry. There has been a strong demand from housing across both the New Build and RMI (Repair, Maintenance and Improvement) markets. This has resulted in a fairly strong first quarter for Knauf, in many regions of the UK, not only in the South East.

It is encouraging that the home energy performance is coming increasingly into focus – reflected in government policies and the financial sector. In April, Barclays bank announced a green mortgage. Discounted rates are available for buyers of new-build homes that achieve an A or B EPC (Energy Performance Certificate) rating. We also keenly await the outcome of the government consultation on ECO (Energy Company Obligations) currently taking place. This could enhance the support available for low income and vulnerable households to improve their homes' energy efficiency.

The shift towards higher thermal performance products continues, even compared with 12-18 months ago. For example, our 0.032 Lambda DriTherm cavity wall product range is seeing a significant uplift in demand as customers look to give their buildings a more thermally efficient envelope.

Of course, fire safety performance of buildings remains a focus and a top priority for the industry. Non-combustible products are becoming more standard – they increase effectiveness, reliability and resilience in case of a fire. This is driving a strong demand for rock and glass mineral wool products.

Looking ahead, the newest CPA (Construction Products Association) forecasts show flat growth for the rest of 2018. Despite this, again, there are positive areas – particularly large infrastructure projects and private housing. Housing is also set to continue to grow strongly: the Help to Buy scheme is in place until 2020, which will help drive demand for new housing.

If the housing supply chain is to keep pace with this demand, addressing the labour market challenges that face the industry should be a major priority – for both government and the construction industry.

“Fire safety performance of buildings remains a focus and a top priority for the industry. Non-combustible products are becoming more standard – they increase effectiveness, reliability and resilience in case of a fire.”

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 quarter was challenging for most players in the sector, due partly to the appalling weather. Many sites are now playing catch up. NHBC says anecdotal reports from housebuilders suggest that up to 30 days were lost on site due to extreme temperatures and weather.

Despite this difficult start I believe the outlook for housing is optimistic as new sites and phases open up all over the country. The CPA predicts a 5% increase in private housing output “with demand for new build underpinned by the support of Help to Buy through to March 2021.”

ONS figures for private housing output, however, showed a 1.6% fall over the quarter. Reflecting on such contrasting data, an article in Builders Merchants News by Mike Rigby, comparing ONS data with BMBI figures, explains how ONS initial figures are frequently revised upwards. Final ONS survey figures are much more positive than their headline-grabbing published levels and closer to the more positive BMBI numbers which are based on actual sales data from over 80% of GB merchants. Our industry glass may in reality be half full rather than half empty. Coincidentally the Bank of England Governor, Mark Carney, made the same point when interviewed by the BBC on 11th May.

Recently the demise of big retail names have made headlines, and the changing retail environment also translates into an urgent challenge for our industry. Omnichannel selling and marketing, where bricks and mortar interact seamlessly with online systems, is how successful businesses are managing the changing retail environment. In construction, the whole industry benefits if players can learn from the early movers in the field.

Price increases and product availability are particular challenges for insulation distribution.

Brexit can be used as an excuse for caution and lack of confidence, when it might be a bit like the Millennium Bug – in reality a lot of fuss over nothing. Construction needs to get on with its own challenges and deal with issues as they arise not focus on the worst-case scenario!

“Many sites are now playing catch up. NHBC says anecdotal reports from housebuilders suggest that up to 30 days were lost on site due to extreme temperatures and weather.”

Expert Panel

Bricks

(Part of Heavy Building Materials)

IBSTOCK



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

Following very high demand for bricks throughout 2017, despatches in the first quarter of 2018 have been lower than expected. Despatches from GB brick manufacturers were 6% down against Q1 2017. One reason for the performance difference is that Q1 2017 saw the highest brick industry despatch volume since the credit crunch in 2008. The relative timing of Easter also made a difference. However, high despatch volumes in Q1 2018 suggest that the market remains robust.

Predominantly, the reduced levels of despatch are due to the disruption for major housebuilders as a result of the bad weather. In one case, a major national developer is said to have as lost as many as 30 days in quarter one because bricks couldn't be laid in cold temperatures. The bad weather has affected sales of bricks at merchants in some parts of the country; others report a brisk start to the year.

Many housebuilders have reported that they intend to make up the shortfall through the remainder of the year. However, there is concern from within this sector that the housebuilders' ability to achieve the government's own house-building targets is being affected by a lengthy and onerous planning system and increasing labour shortages. The sector is also desperately awaiting a commitment from government to extend Help-to-Buy beyond 2021. This would give them the confidence to continue with land purchases in order to provide future sites.

For these reasons, and contrary to popular belief, brick stock levels in GB manufacturers' yards have increased over the first quarter of 2018 and have grown each month since November 2017. GB brick manufacturers are continuing to increase production levels. Ibstock's output, for example, will increase by up to 100 million bricks a year by the end of 2018 as their new Eclipse factory is fully commissioned.

With initiatives to support growth in private housing and RMI in place's as well as improving brick stock levels, it's expected that brick despatches will grow throughout 2018. My advice to merchants is to retain the disciplines of ordering and scheduling to ensure continuity of supply for key depot stock products.

“Following very high demand for bricks throughout 2017, despatches in the first quarter of 2018 have been lower than expected. Reduced levels of despatch are predominantly due to the disruption for major housebuilders as a result of the bad weather.”

Expert Panel

Natural Stone Landscaping Products

(Part of Landscaping)



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

The 'Beast from the East' really hit external landscaping in the first quarter. March was almost completely lost, and we may never get it back, but the market has been recovering well since.

For hard landscaping and Indian sandstone there is little change on shipping and currency issues that will affect the cost of stone. Some products are hard to source: Modak – a very pink/red sandstone – has been very difficult. There has also been increased demand for larger format products – we are seeing a very high demand for 900 by 600 sizes for example.

Porcelain paving continues to be a massive growth area. Even the weather didn't slow porcelain paving down. More and more merchant branches are stocking wider ranges with up to six different colours and lines, and landscapers are using their own design flair to mix products and textures. There also seems to be a move away from some jointing compounds. Installers are opting for flow-in mortars with harder strengths and better bonding properties.

Artificial grass is another strong growth product with many more branches stocking the 4m rolls and selling more of them as the product is taken more seriously. There is a lot of movement and consolidation in this market with company takeovers, and there's possibly more to come. Some suppliers are having conversations directly with installers and taking sales from merchants, a practice that is not going to go down well in our market.

Sales of resin-bound aggregates suffered particularly from the weather as they cannot be laid on a wet drive. Many projects have been delayed but the sun in April has set the market flying again.

Finally, Happy Birthday to the ETI (Ethical Trading Initiative). Indian sandstone suppliers should all be full members, as we are, but sourcing responsibly is the responsibility of merchants too.

“The 'Beast from the East' really hit external landscaping in the first quarter. March was almost completely lost, and we may never get it back, but the market has been recovering well since.”

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.

The first quarter of 2018 was difficult with three days of lost sales due to bad weather conditions. In the water heating sector, this resulted in 5% lower year-on-year sales compared to Q1 2017. The question is whether the construction industry can recover these sales during the rest of the year, or whether they have been lost to the snow.

While the bad weather suppressed sales of domestic cylinders, sales of electric boilers and electric commercial water heating performed better. For example, electric commercial water heaters that are compliant with the latest 2017 energy products directive, and labelled appropriately, have grown by more than 15%, while some manufacturers are either withdrawing from the market or not improving products to comply.

Flue legislation, and issues associated with it, continue to influence the growing use of electric rather than traditional gas boilers in urban dwellings – for both replacement and new installations. This can only accelerate as awareness increases.

The high-profile publicity on single-use plastics, that we discussed last quarter, continues – already resulting in a two-stage positive influence for this sector. Firstly publicity is driving the growth in sales of point-of-use chilled water machines. This in turn positively influences sales of boiling water dispensers; more often than not part of the same system. The recent call for evidence from the government regarding single-use plastics will also make manufacturers review their use of plastics in packaging and delivery. A review could well result in reduction, or even elimination of plastics in packaging.

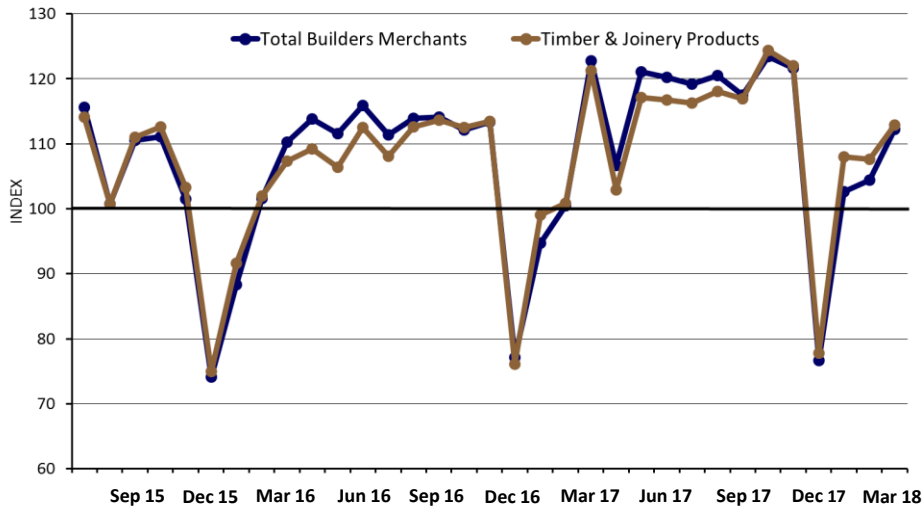
In summary, the first quarter of the year has left the sector with some catching up to do yet demand for new housing has stayed strong. Other areas are holding up, in spite of more conservative forecasts. We move forward with cautious optimism for 2018.

“The high-profile publicity on single-use plastics is driving the growth in sales of point-of-use chilled water machines. This in turn positively influences sales of boiling water dispensers; more often than not part of the same system.”

Monthly and Quarterly Indices

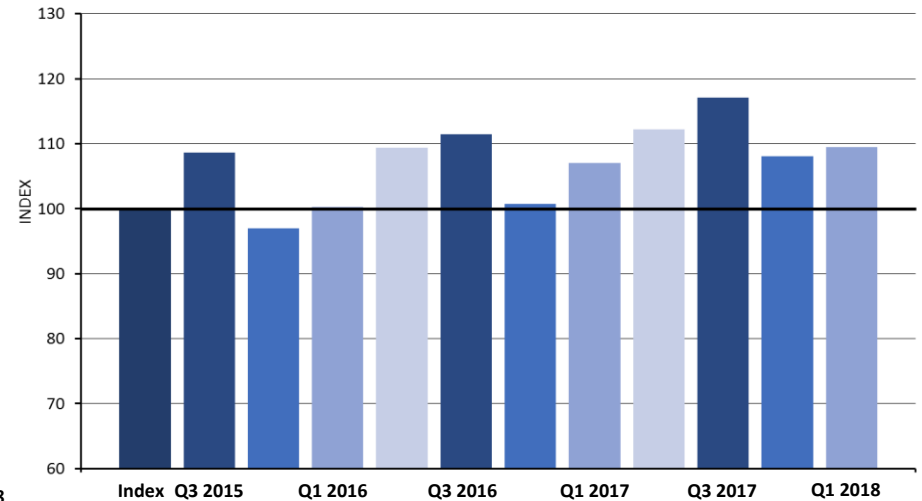
March 2018 and Q1 2018

Timber & Joinery Products



Monthly chart indexed on July 2014 – June 2015

Timber & Joinery Products - Quarterly



Quarterly chart indexed on July 2014 – June 2015

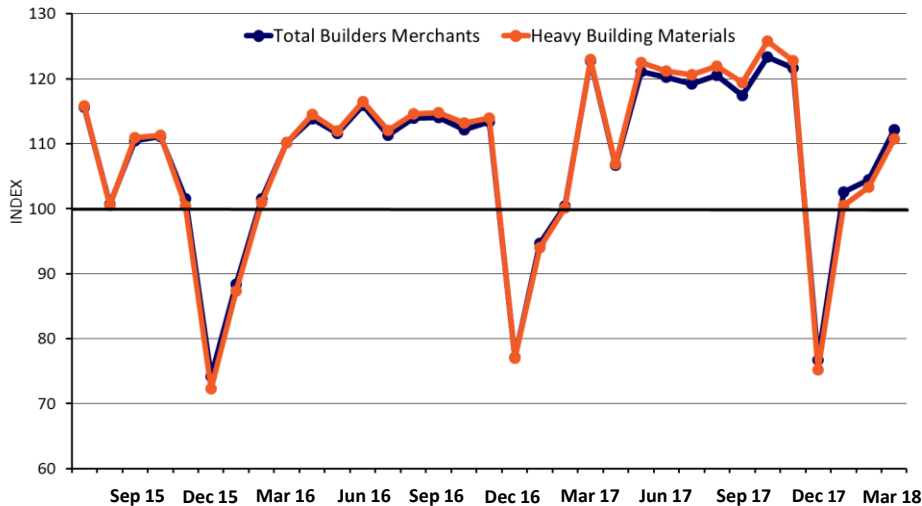
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2018

Monthly and Quarterly Indices

March 2018 and Q1 2018

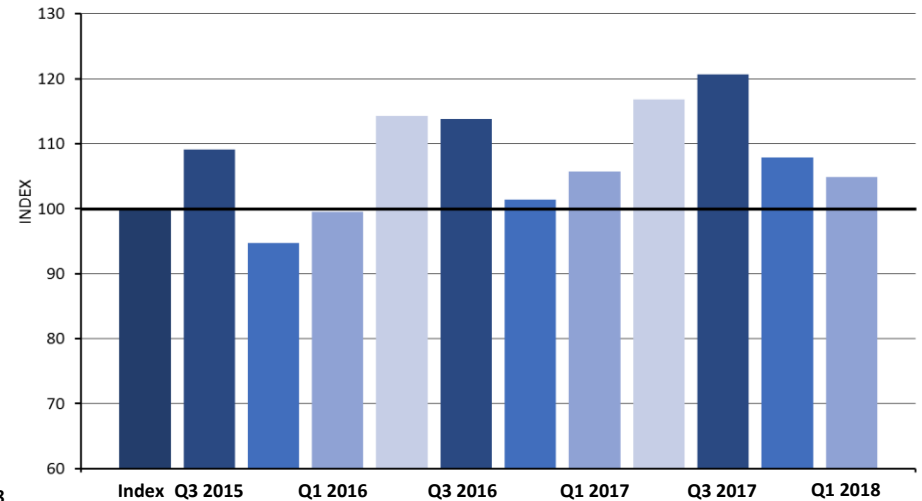


Heavy Building Materials




Monthly chart indexed on July 2014 – June 2015

Heavy Building Materials - Quarterly



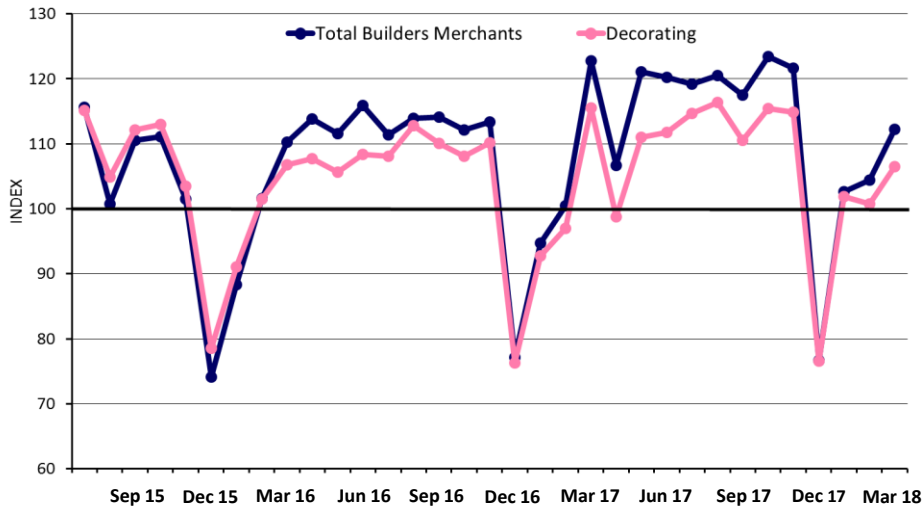
Quarterly chart indexed on July 2014 – June 2015

 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2018

Monthly and Quarterly Indices

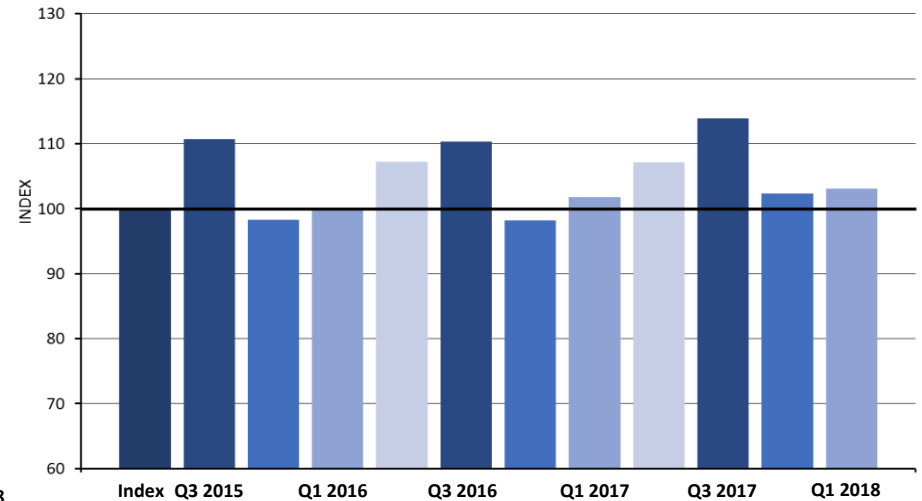
March 2018 and Q1 2018

Decorating



Monthly chart indexed on July 2014 – June 2015

Decorating - Quarterly



Quarterly chart indexed on July 2014 – June 2015

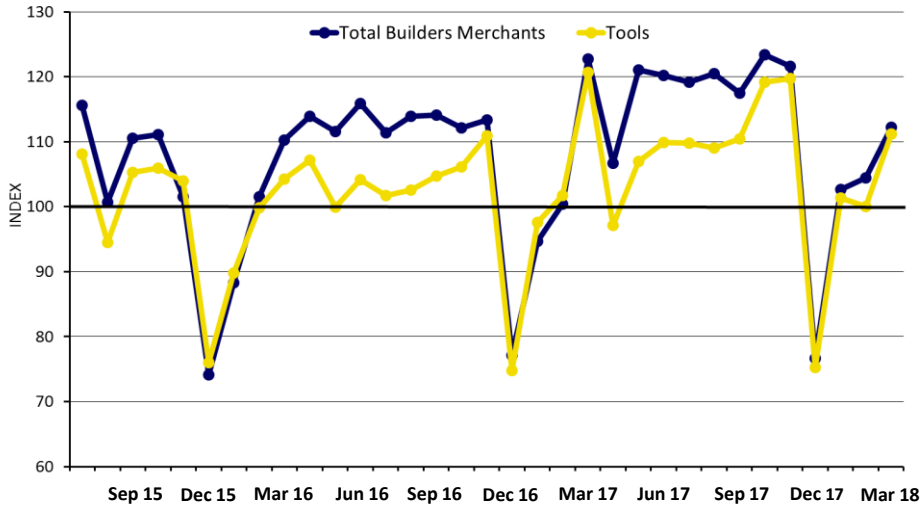
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Monthly and Quarterly Indices

March 2018 and Q1 2018

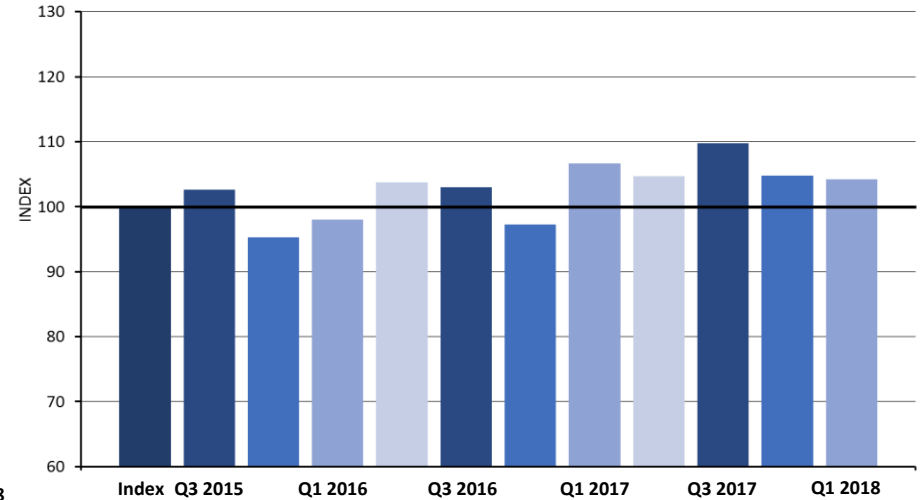


Tools



Monthly chart indexed on July 2014 – June 2015

Tools - Quarterly



Quarterly chart indexed on July 2014 – June 2015

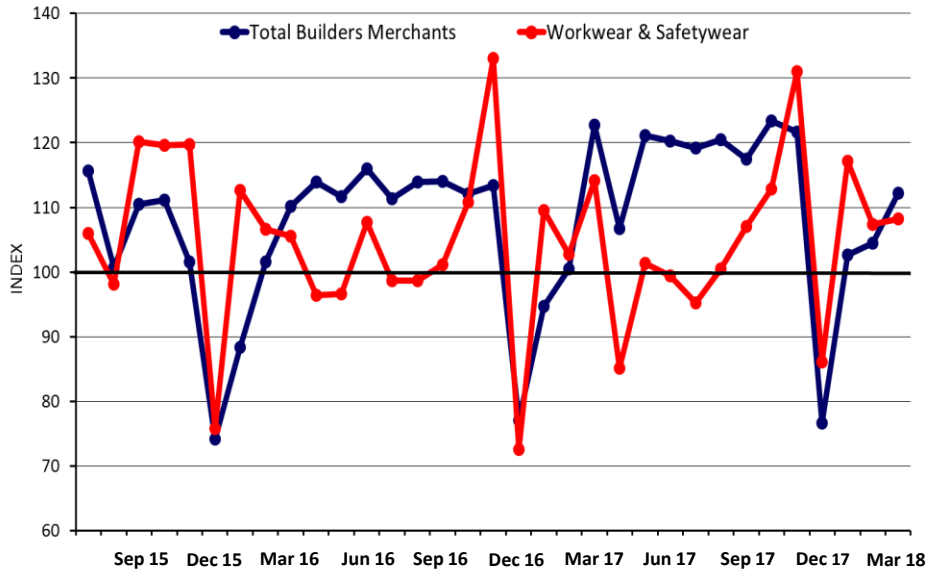
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March 2018 and Q1 2018

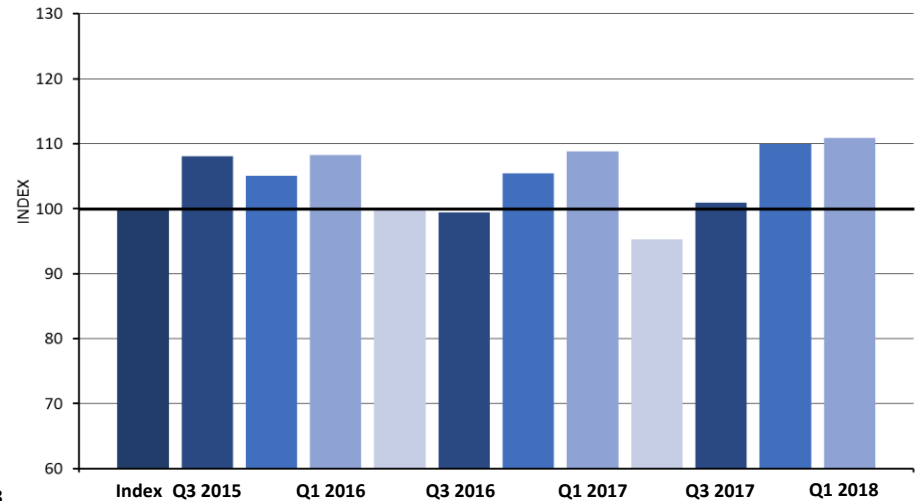


Workwear & Safetywear



Monthly chart indexed on July 2014 – June 2015

Workwear & Safetywear - Quarterly



Quarterly chart indexed on July 2014 – June 2015

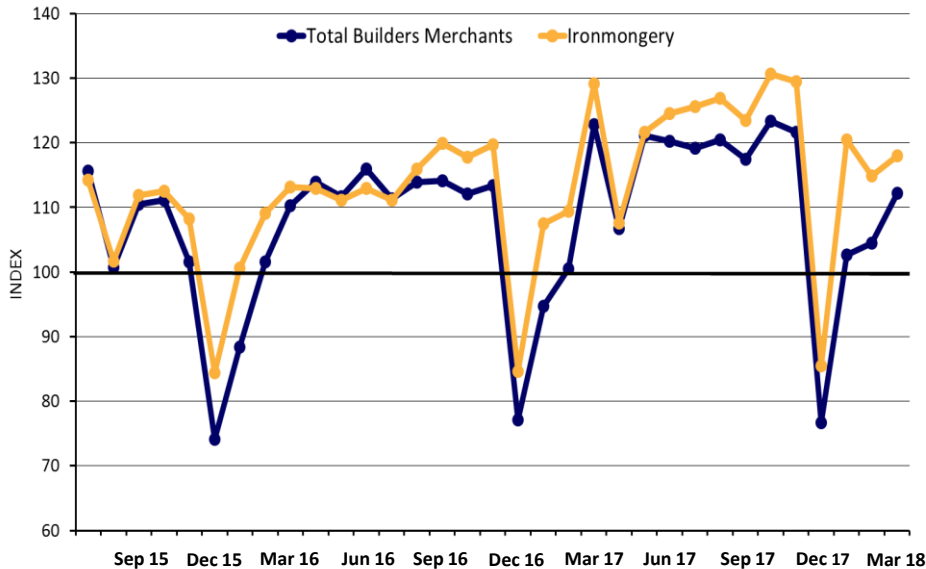
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Total Category Report
July 2015 to March 2018

Monthly and Quarterly Indices

March 2018 and Q1 2014

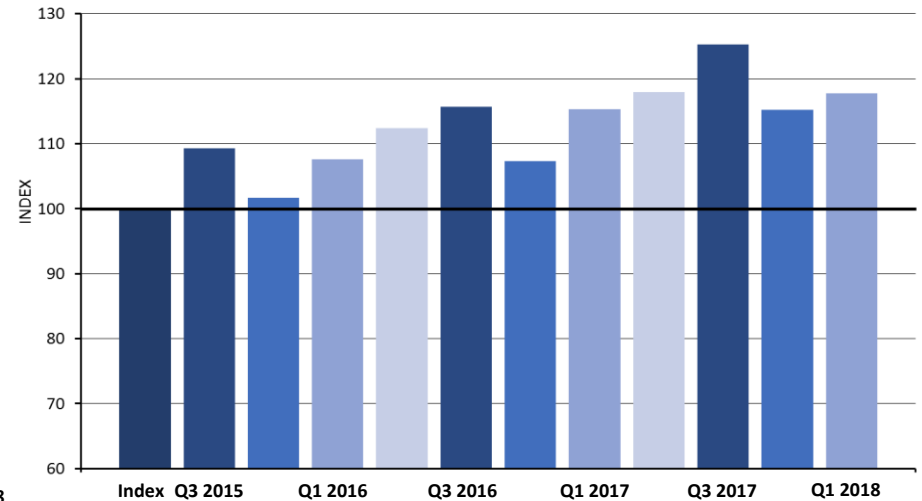


Ironmongery



Monthly chart indexed on July 2014 – June 2015

Ironmongery - Quarterly



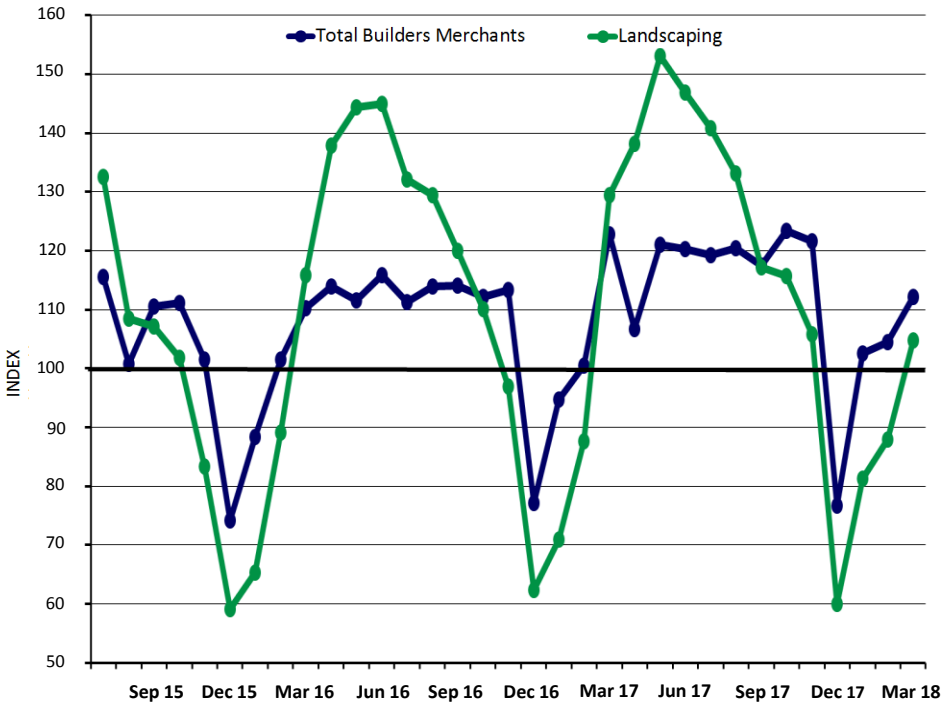
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July 2015 to March 2018

Monthly and Quarterly Indices

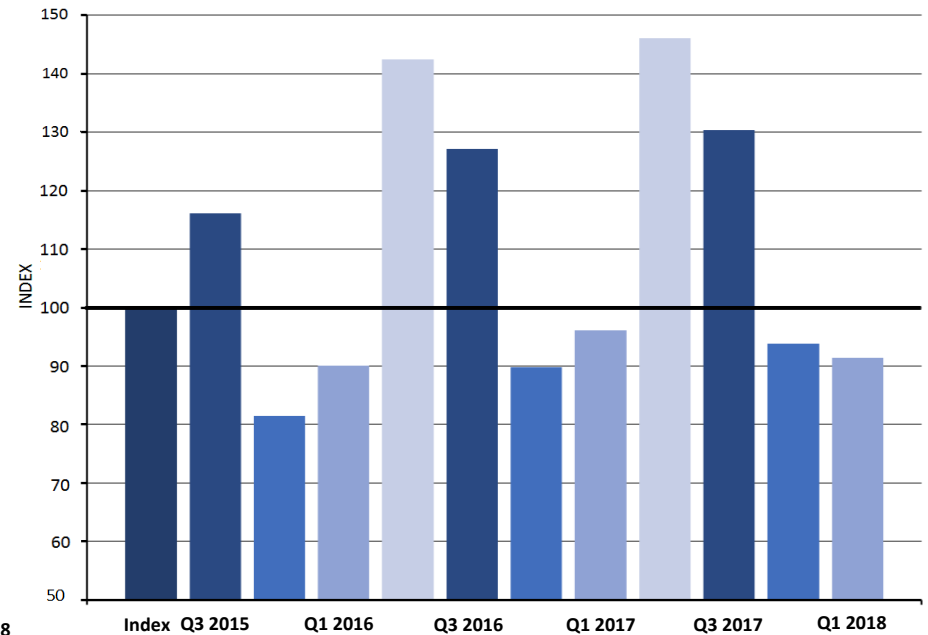
March 2018 and Q1 2018

Landscaping



Monthly chart indexed on July 2014 – June 2015

Landscaping - Quarterly



Quarterly chart indexed on July 2014 – June 2015

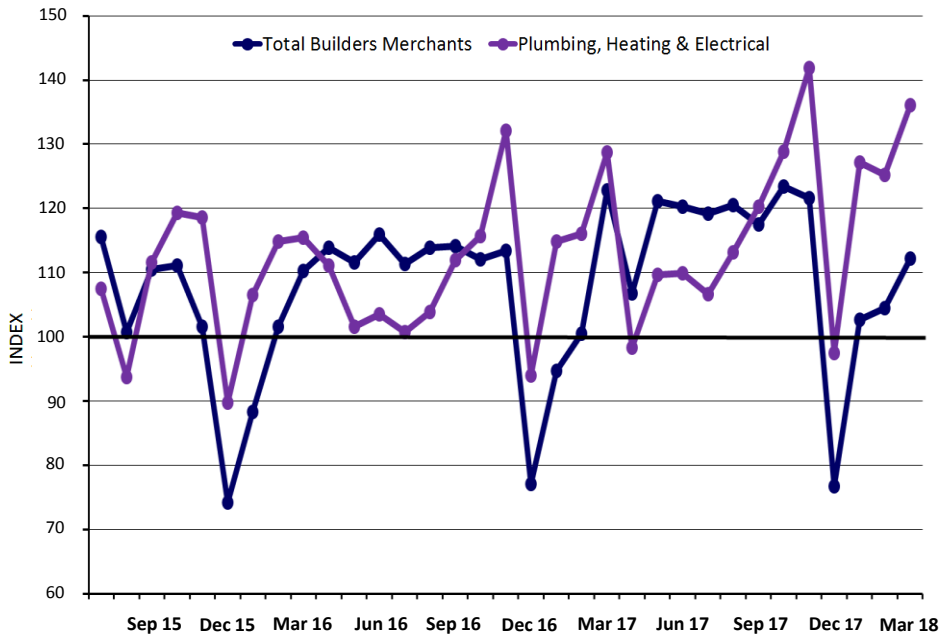
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Monthly and Quarterly Indices

March 2018 and Q1 2018

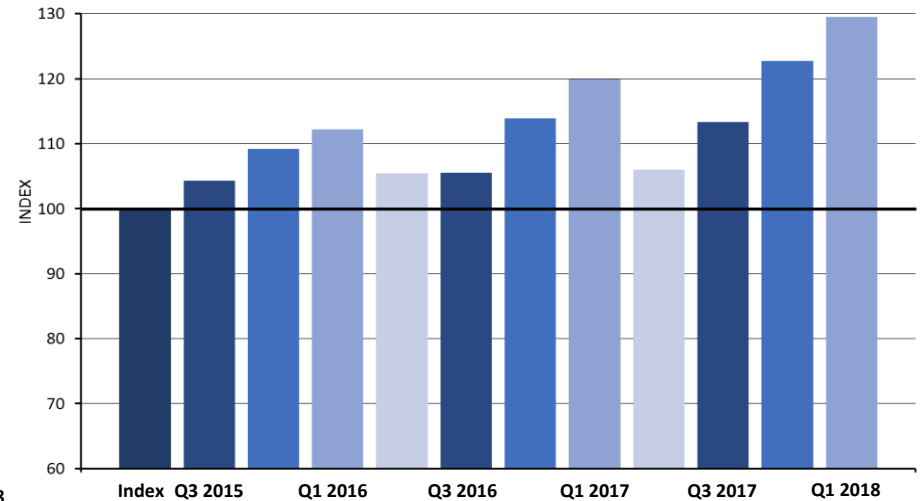


Plumbing, Heating & Electrical



Monthly chart indexed on July 2014 – June 2015

Plumbing, Heating & Electrical - Quarterly



Quarterly chart indexed on July 2014 – June 2015

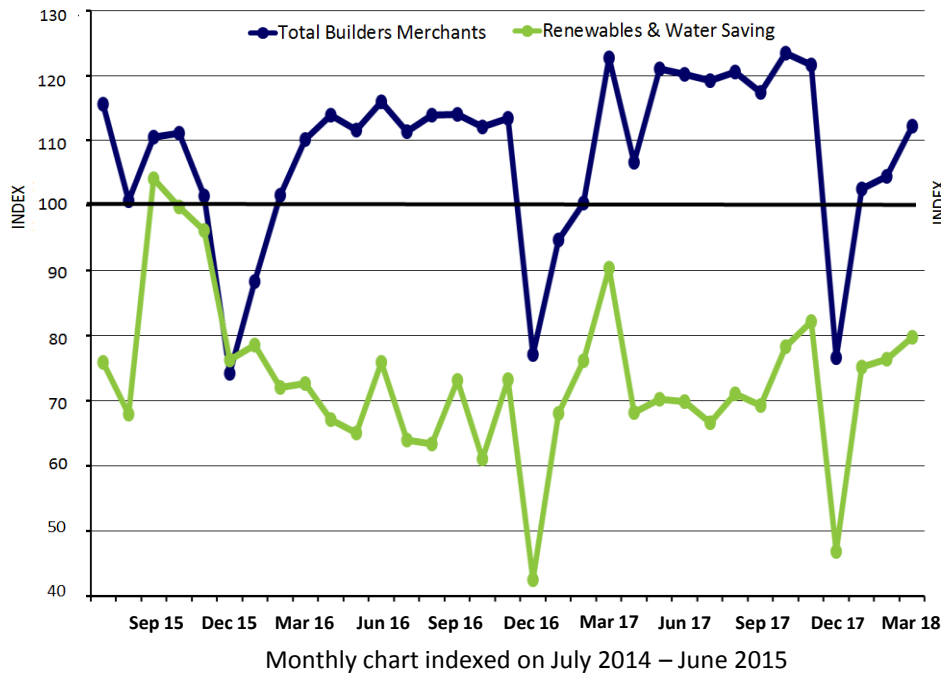
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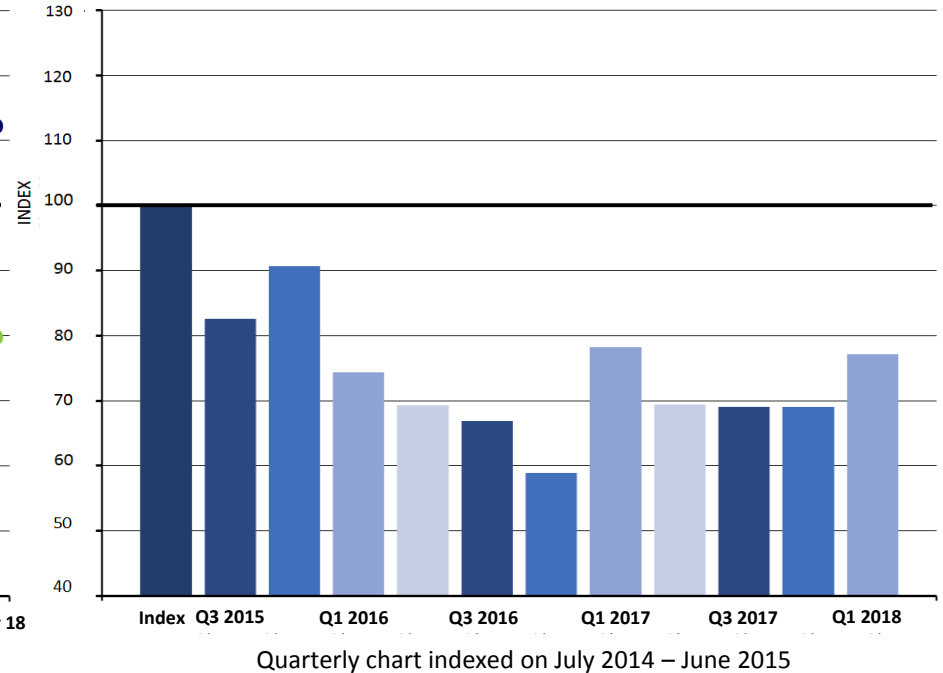
March 2018 and Q1 2018



Renewables & Water Saving



Renewables & Water Saving - Quarterly

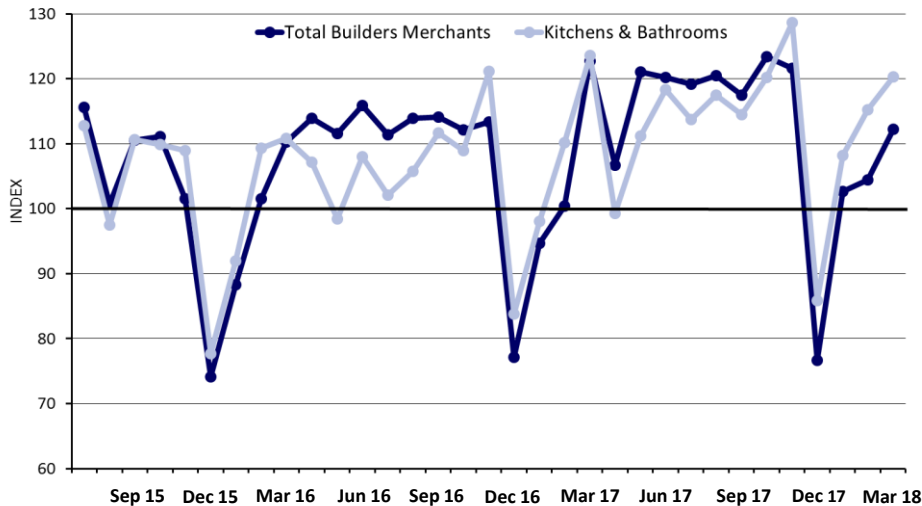


GfK Source: GfK's Builders Merchants Total Category Report July 2015 to March 2018

Monthly and Quarterly Indices

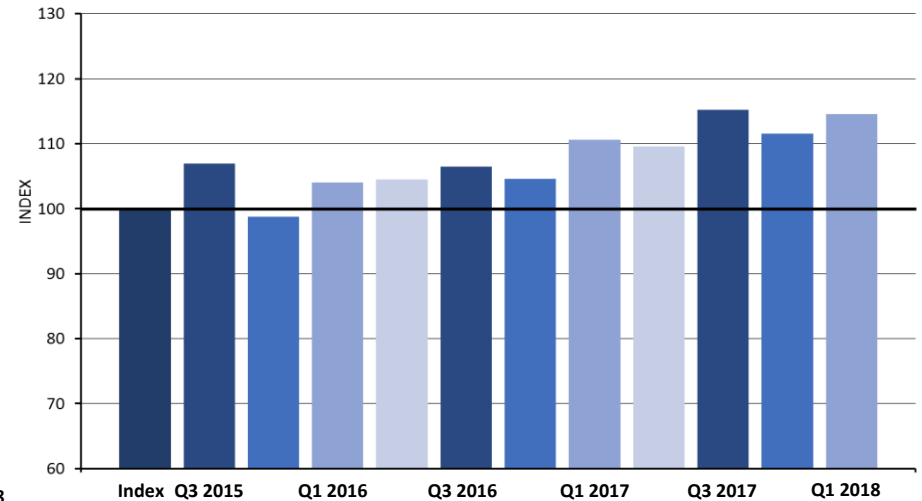
March 2018 and Q1 2018

Kitchens & Bathrooms



Monthly chart indexed on July 2014 – June 2015

Kitchens & Bathrooms - Quarterly



Quarterly chart indexed on July 2014 – June 2015

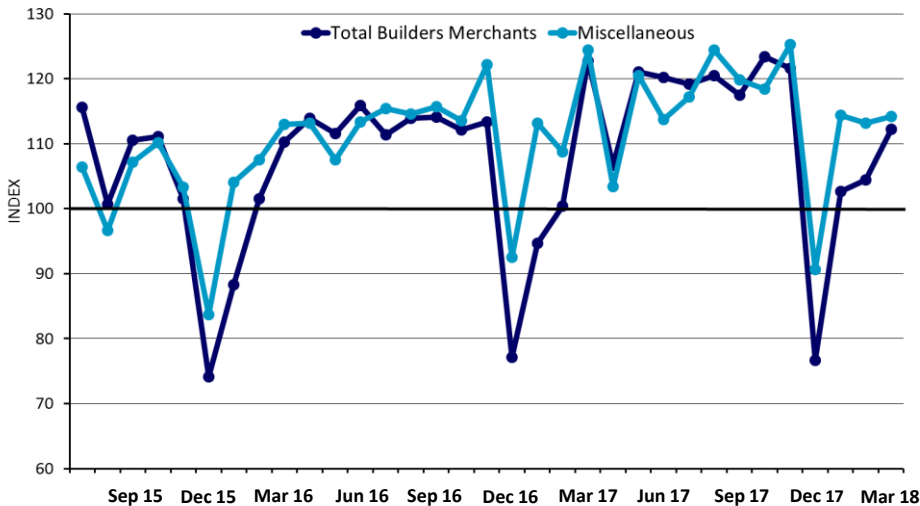
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March 2018 and Q1 2018

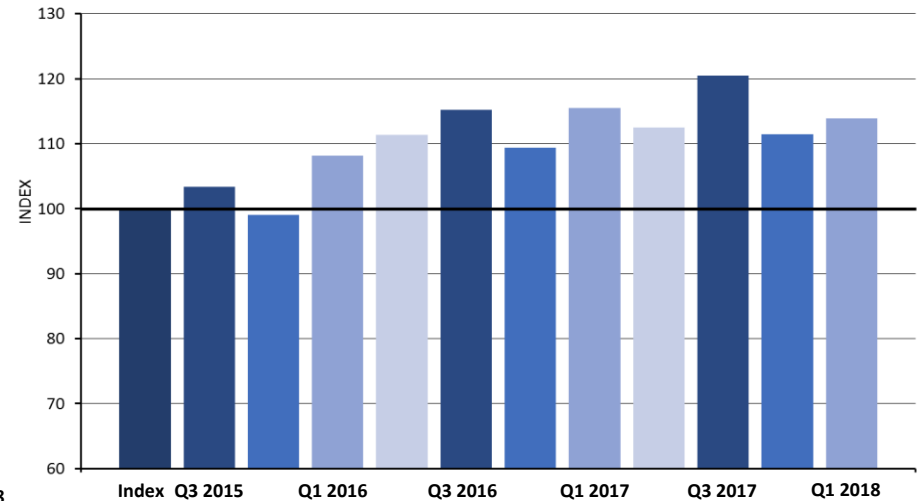


Miscellaneous



Monthly chart indexed on July 2014 – June 2015

Miscellaneous - Quarterly



Quarterly chart indexed on July 2014 – June 2015

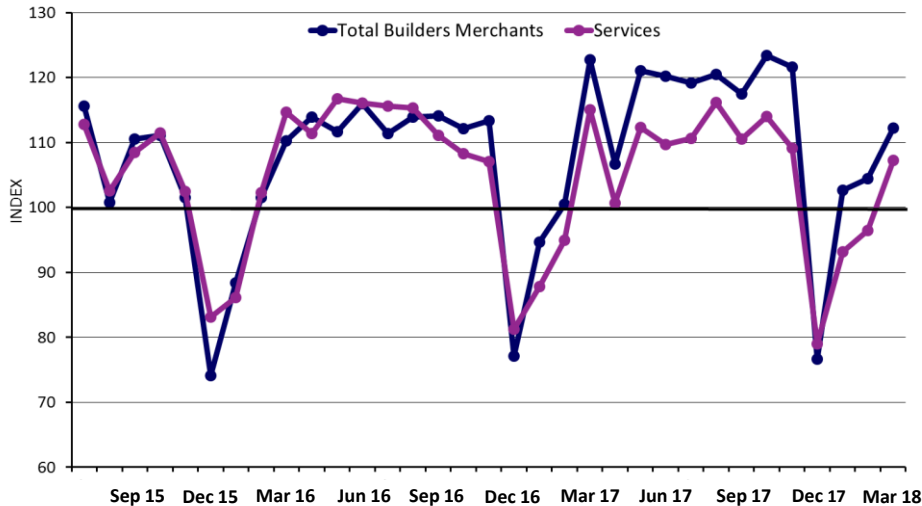
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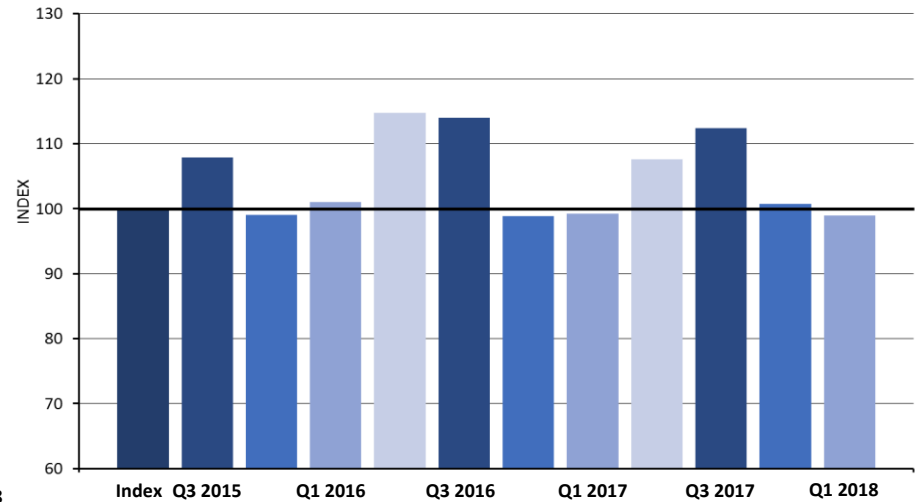


Services



Monthly chart indexed on July 2014 – June 2015

Services - Quarterly



Quarterly chart indexed on July 2014 – June 2015

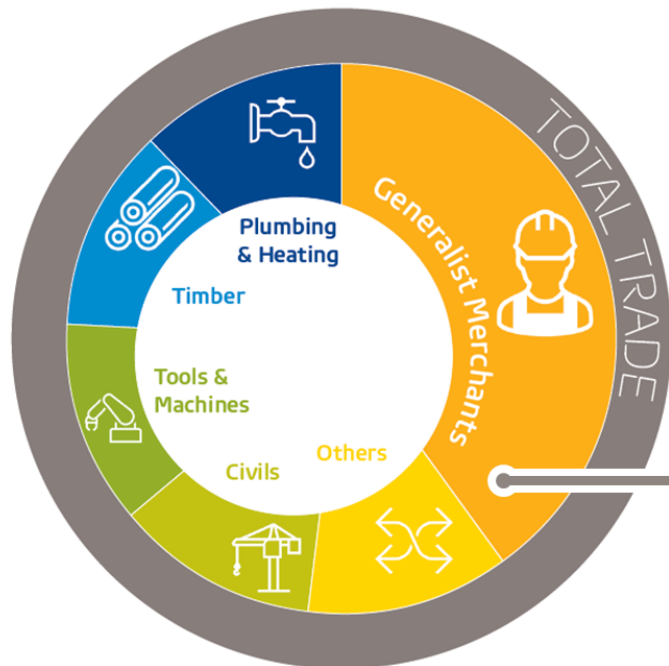
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2018

GfK's Panel

Generalist Builders Merchant Panel (GBM's)



The Multiple Generalist Builders Merchants Channel



Generalist Builders Merchants

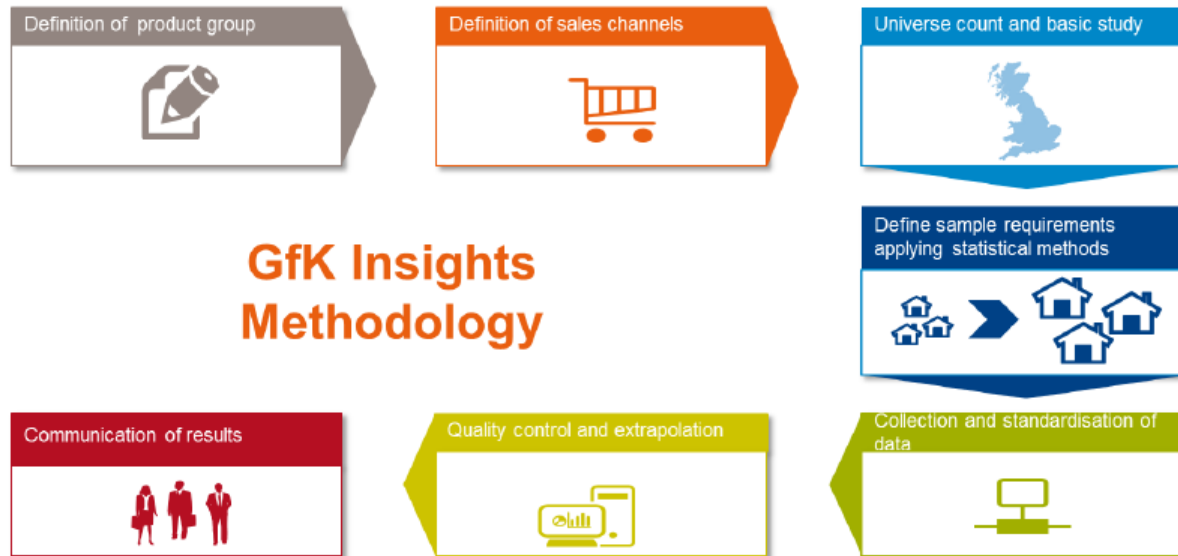
Builder Merchants handle an extended range of building materials and components (e.g. doors, windows, interior furnishing materials, insulation materials, tiles, cement, mortar, adhesives, sealants, nails, hardware products, pipes, ironware, paint) and generate their turnover with professional end users.

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

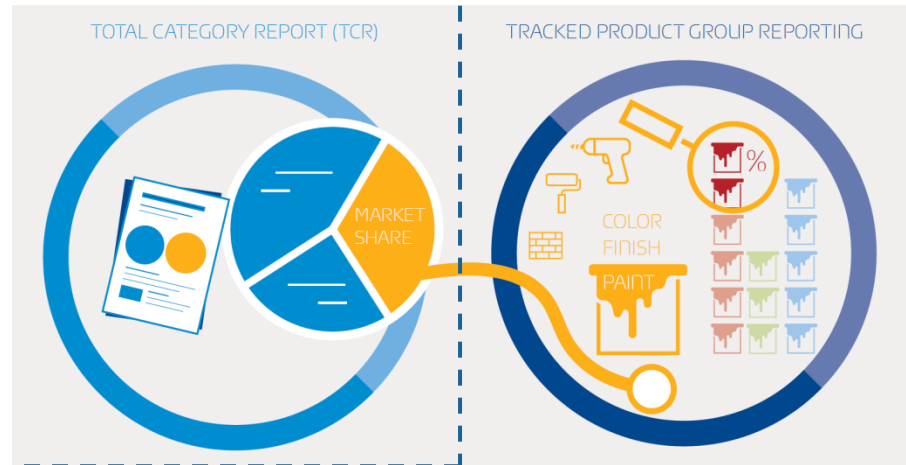
Bathroom (Including Showering)
Fitted Kitchens
Major Appliances

Miscellaneous

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

Services

Toolhire / Hire Services
Other Services



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)

Macro factors impacting Merchants



Bank interest rates

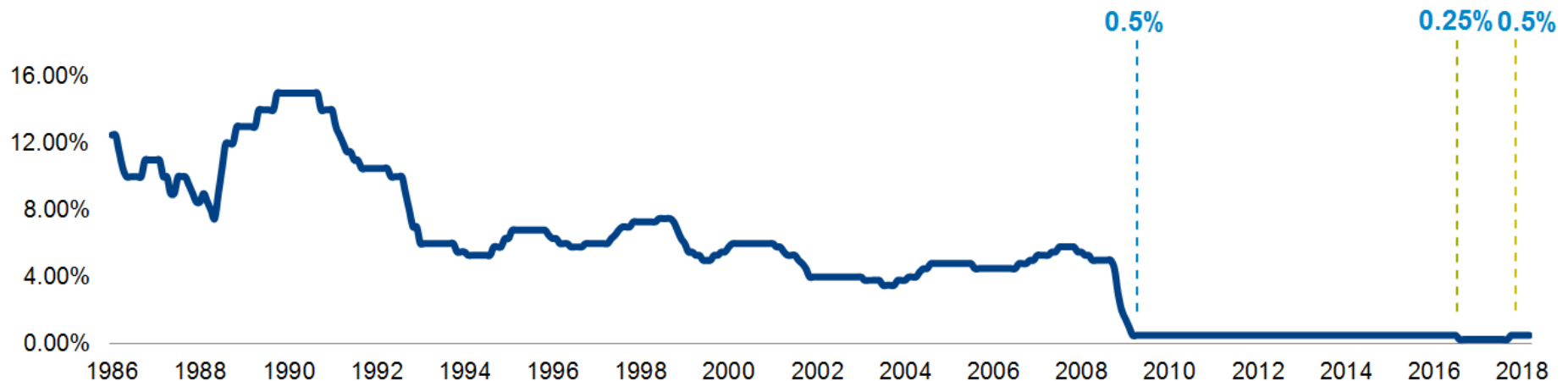
Set monthly by the MPC (Monetary Policy Committee)

▪ The base rate of interest is one of the tools used by the Bank of England to target price stability. Since 1997 when the Bank's Monetary Policy Committee gained autonomy the rate has been between 7.5% and 0.25%

▪ The economic crisis caused the Bank to drop rates to 0.5%, as the inflation pressure was considered less important than the stability of the economy
▪ The further reduction in August 2016 was designed to further promote growth and achieve the Bank's 2% inflation target.

▪ At its meeting on the 4th August 2016, the Bank of England reduced the base rate from the previous historic low of 0.5% to a record-breaking 0.25%

▪ 22nd March 2018 the Bank of England Monetary Policy Committee voted 7:2 to keep the Bank Rate at 0.5%



Source: Bank of England
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Macro factors impacting Merchants

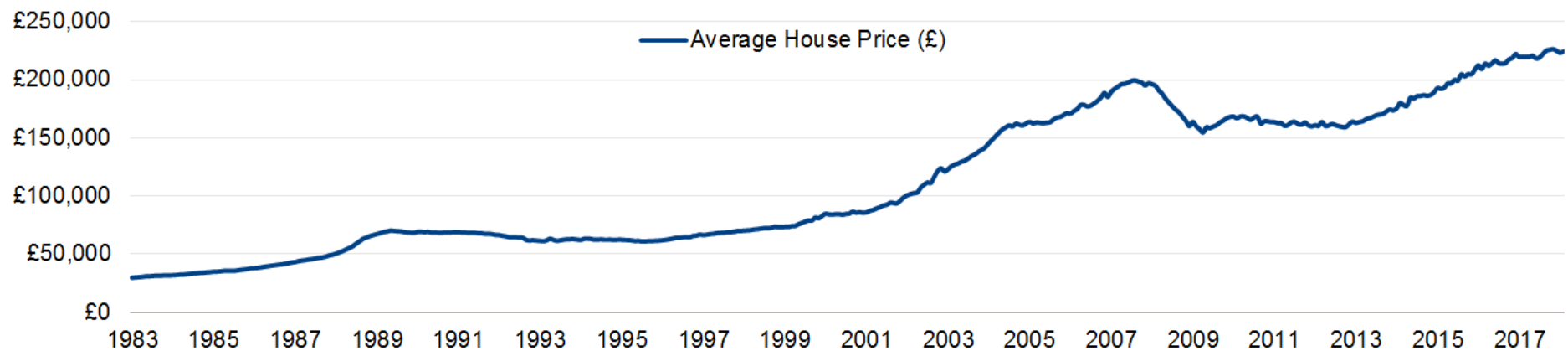


Standardised average house prices

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%
2017	£225,032	+1%

- 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 2018, the average house price in the UK rose to £224,353 from £223,285 in January 2018.



Source: Halifax House Price Index
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Macro factors impacting Merchants



Property transactions

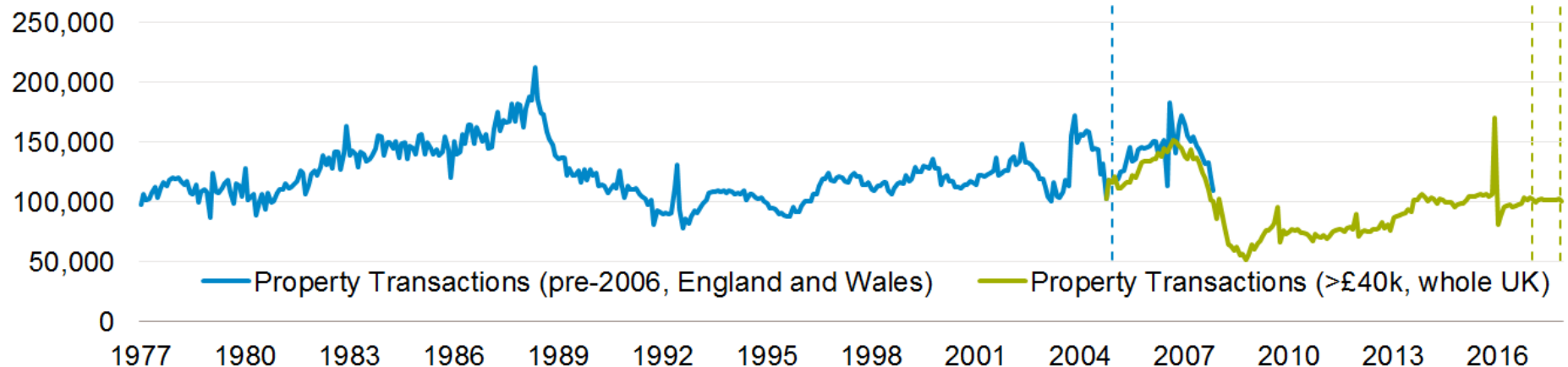
Monthly transactions, residential, seasonally adjusted

Annual total

2009	847,540
2010	879,050
2011	883,770
2012	932,000
2013	1,067,700
2014	1,223,120
2015	1,228,710
2016	1,234,500
2017	1,223,400

- 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 fell 0.7% in February 2018 compared to the previous month.



Source: HM Revenue & Customs
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Macro factors impacting Merchants



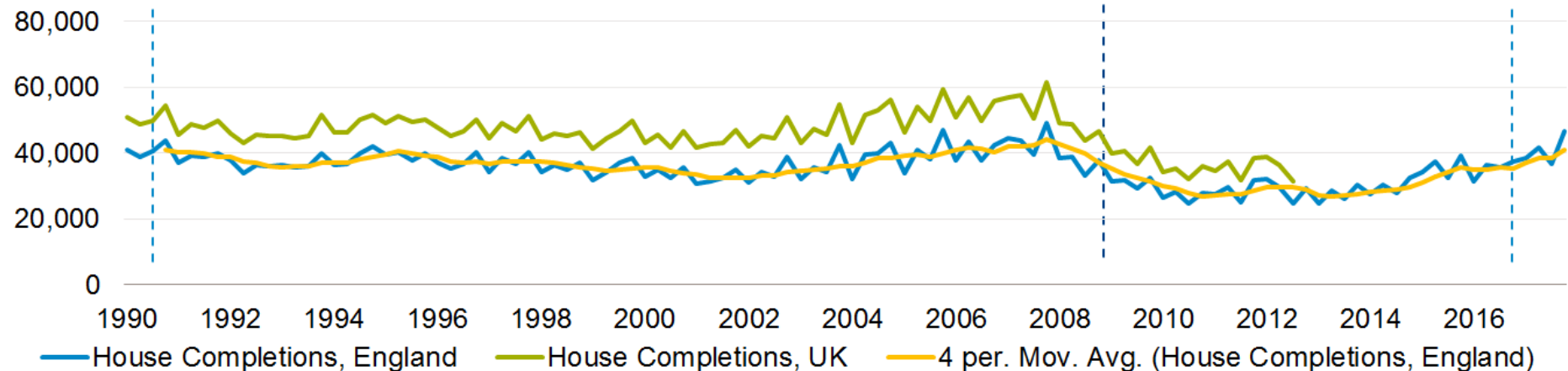
New house builds

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 had stalled in 2016. However, it appears to have started off 2017 with a period of growth.

In Q4 2017, 46,710 permanent dwellings were completed, compared to Q4 2016 figures of 37,530 (+24.5%)

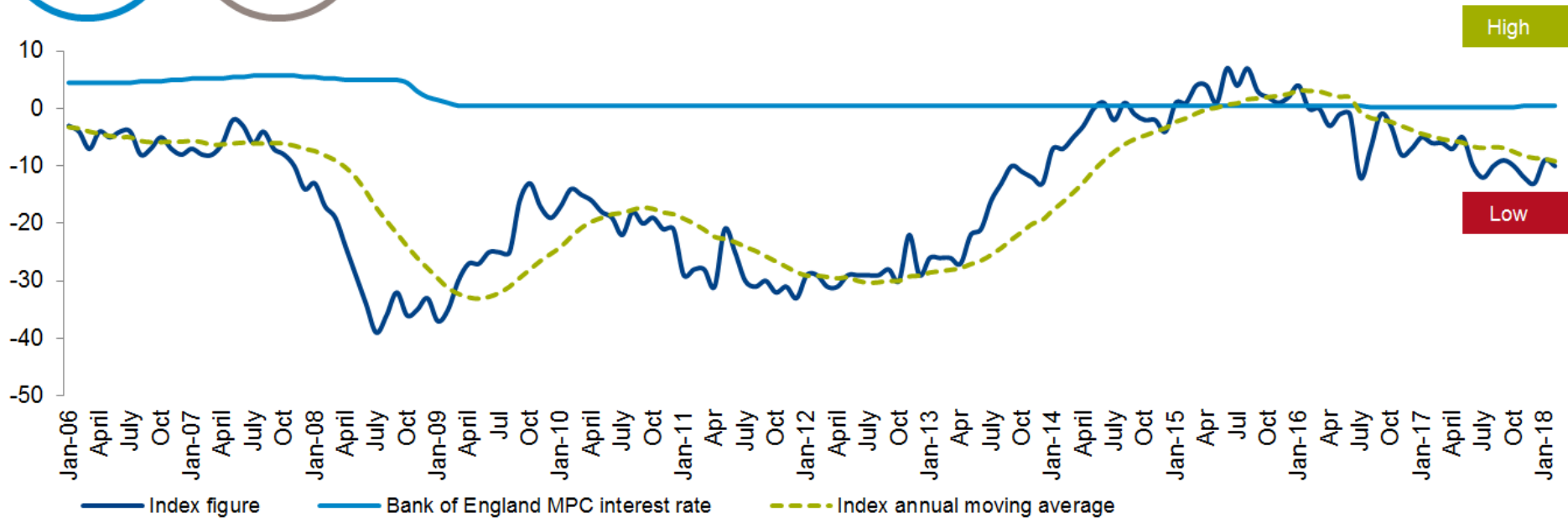


Source: GOV.UK
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Macro factors impacting Merchants



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.

Contact us

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