

“one **industry**  
one **voice**”

# Builders Merchant Building Index



Quarter 3 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: The Crystal Group, Keylite Roof Windows, Timbmet, Alumasc Water Management Solutions, Hanson Cement, IKO PLC, Keystone Lintels, Knauf Insulation, Encon Insulation, Ibstock, Talasey Group, Heatrae Sadia, Dulux Trade and Lakes, 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](mailto: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](http://www.bmbi.co.uk). Follow us and the Experts [@theBMBI](https://twitter.com/theBMBI).

# Overview and Insights

Richard Frankcom, Key Account Director, GfK



The warm dry summer was breaking records, England got to the semi-finals of a world cup, and to top it all Total Builders Merchants continued to deliver value growth in quarter 3, up 4.2% on the previous year. July was particularly strong up 8.3% but the extra trading day YoY helped. August continued this trend and drove the growth with a positive 3.5% performance. However September fell off as the quarter came to an end showing only 0.8% growth on September last year.

The value growth year on year continued in Timber and Joinery with a year on year increase of 9.6% for the quarter. This growth was driven again by Sheet Materials and Timber items such as Carcassing, Battens and Trusses. The quarterly pattern, like the overall trend, petered off with July up 12.7%, August up 9.5% and September still strong but reducing considerably to a positive 6.6%.

Landscaping again had a strong quarter as the weather allowed people to get outside. Sales rose 7.8% year on year, with Decking, Tools and Watering showing the strongest growth, but again we saw sales tailing off as the quarter progressed.

Heavy Building Materials had a slower month, up by 2.4% on the quarter with only July showing strong growth, with the extra trading day helping boost the figures. July was up 6.8%, August 1.6% and September down 1.3%, with Insulation, Cement and Aggregates leading the decline.

Plumbing Heating and Electrical categories ended the quarter up 3.4% on the previous year showing a similar pattern across the months to the other core categories. July was up 9.6%, August up 1.2%, with September flat year on year. A positive quarter for Boilers was pulled down by a negative one for Electrical and Lighting.

Overall a solid value performance but we do not discuss volumes and prices in these reports. Have we now seen the end of the price inflationary impact from the Brexit vote? Will this flatter growth now become the norm? Personally, unless we see a significant shift in the pound, I think it might. If you wish to find out more, get in touch [richard.frankcom@gfk.com](mailto:richard.frankcom@gfk.com)

“Overall a solid value performance but have we now seen the end of the price inflationary impact from the Brexit vote? Will this flatter growth now become the norm? Personally, unless we see a significant shift in the pound, I think it might.”

# Merchants' View

John Newcomb, CEO BMF



What is going on this quarter? On the one hand the Office of National Statistics (ONS) figures appear more positive than earlier in the year, reporting 2.1% growth in overall construction output in Q3 over Q2 2018, but dig deeper and that growth is not across the board. Private housebuilding provided the most notable contribution with non-housing RMI and infrastructure also growing strongly, but private housing RMI, along with private commercial and industrial new work all fell quarter on quarter. What we have is a mixed bag that is reflected in BMBI merchant sales this quarter, which saw Q3 sales drop below those of Q2. Let's delve a little deeper into other data sets to see if we can understand why, starting with the good news.

Housebuilders had their busiest quarter since 2007, before the financial crash. NHBC, the lead indicator in the new homes market, registered almost 44,000 new homes during Q3 2018, an increase of 15% on the same period in 2017.

However, the Federation of Master Builder's (FMB) latest State of Trade survey found that SME construction firms have experienced a slowdown in growth in the third quarter. While workloads remained broadly positive in Q3, the rate of growth shrank in comparison to the previous quarter. No-one can blame the weather for the slowdown, so could this be a sign of consumer confidence waning as Brexit negotiations drag on?

It also appears that FMB SME's are again being badly affected by skills shortages, which in Q3 matched their peak seen at the end of last year. Added to this, almost 90% of construction SMEs reported a rise in material prices in Q3 (up from 76% in Q2) and expect material prices to continue to increase in the coming months.

The Construction Products Association (CPA) also identified that firms throughout the supply chain are grappling with a narrowing base of activity, led by private new housebuilding and infrastructure work, coupled with rising costs for labour, raw materials and fuel – the latter affecting both contractors and product manufacturers.

As I write this, two cabinet ministers and several junior ministers have resigned following the Cabinet's "approval" of the draft Brexit withdrawal plans. With the possibility of more to follow, who can say what will happen next. At the moment it seems highly unlikely that the House of Commons will vote for this agreement, leading to more instability. This is the last thing the market needs. We need certainty over Brexit both to shore up consumer confidence and, with 13% of construction workers coming from outside of the UK, a post Brexit immigration system that allows construction firms to continue to hire EU workers to prevent a skills crisis in the industry.

“Private housebuilding provided the most notable contribution with non-housing RMI and infrastructure also growing strongly, but private housing RMI, along with private commercial and industrial new work all fell.”

# Monthly: Index and Categories

## September 2017\* – September 2018

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



MONTHLY SALES VALUE INDEX	Index	2017				2018								
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep
<b>Total Builders Merchants</b>	<b>100</b>	<b>117.5</b>	<b>123.4</b>	<b>121.6</b>	<b>76.7</b>	<b>102.6</b>	<b>104.5</b>	<b>112.2</b>	<b>116.1</b>	<b>129.4</b>	<b>127.6</b>	<b>129.1</b>	<b>124.7</b>	<b>118.4</b>
Timber & Joinery Products	100	116.9	124.4	122.1	77.8	108.0	107.6	112.9	115.9	126.7	126.2	131.1	129.3	124.7
Heavy Building Materials	100	119.4	125.8	122.8	75.2	100.5	103.3	110.8	115.9	128.7	128.0	128.8	123.9	117.8
Decorating	100	110.5	115.4	114.9	76.6	101.9	100.8	106.5	106.6	117.0	114.9	119.4	117.2	112.0
Tools	100	110.4	119.2	119.8	75.3	101.3	100.0	111.2	105.1	110.5	113.3	112.5	109.7	108.0
Workwear & Safetywear	100	107.0	112.9	131.0	86.1	117.2	107.3	108.3	100.2	96.0	95.7	95.9	98.3	107.5
Ironmongery	100	123.4	130.6	129.5	85.5	120.4	114.8	118.0	117.3	125.7	123.9	128.8	124.4	117.9
Landscaping	100	117.1	115.8	105.8	60.0	81.3	88.0	104.8	132.1	170.4	164.1	156.6	142.4	122.8
Plumbing, Heating & Electrical	100	120.3	128.9	141.9	97.4	127.2	125.2	136.1	120.4	122.7	117.1	116.8	114.5	120.4
Renewables & Water Saving	100	69.2	78.3	82.2	46.8	75.2	76.3	79.8	74.2	70.4	75.0	73.5	64.8	67.8
Kitchens & Bathrooms	100	114.5	120.2	128.6	85.9	108.2	115.2	120.3	111.9	119.2	117.8	121.4	118.4	113.0
Miscellaneous	100	119.8	118.4	125.3	90.7	114.4	113.2	114.2	111.3	120.5	115.3	116.8	113.9	106.6
Services	100	110.6	114.0	109.2	79.0	93.1	96.4	107.3	109.6	125.4	116.9	121.1	120.1	106.9

\*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 September 2018

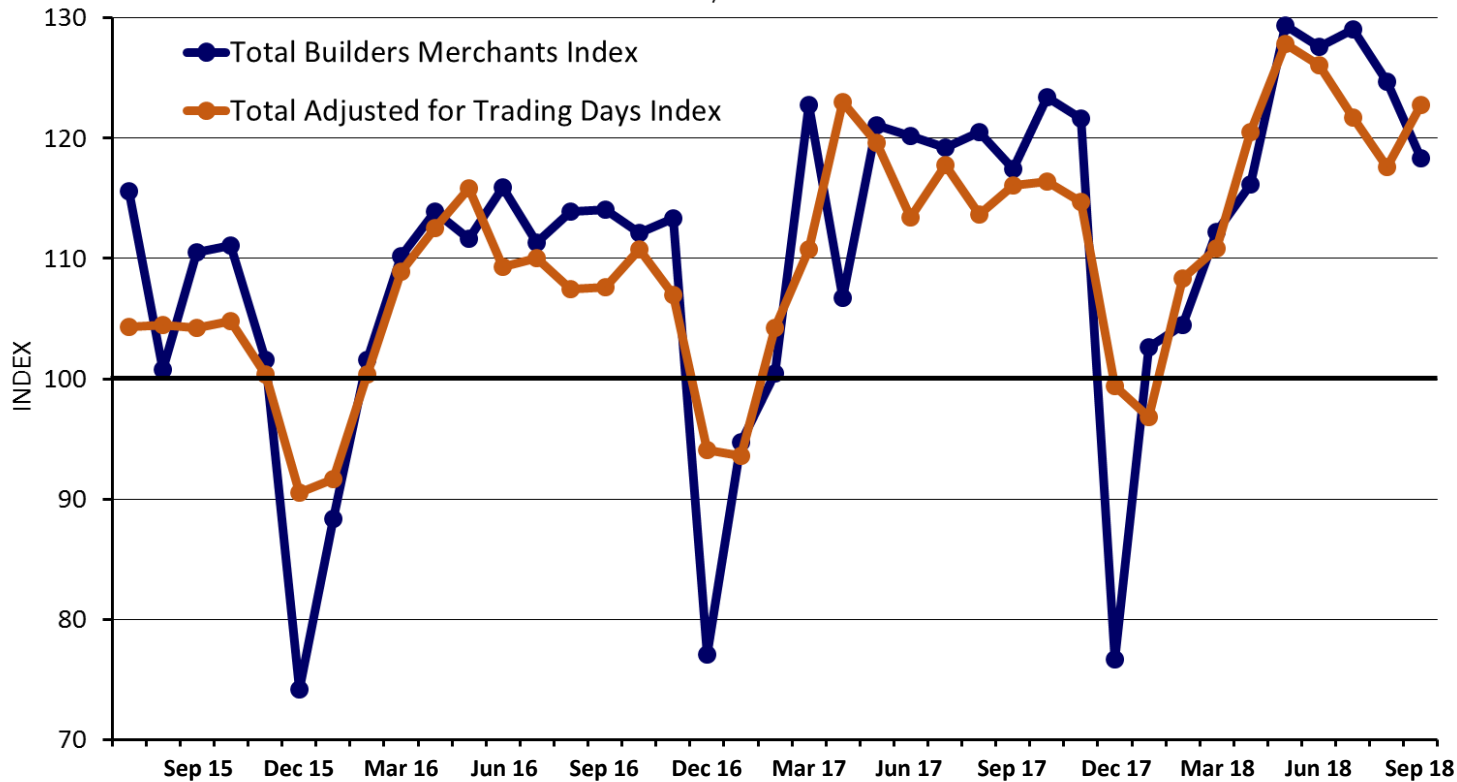


# Monthly: Index

## 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 22 16 22 20 21 20 21 21 22 20

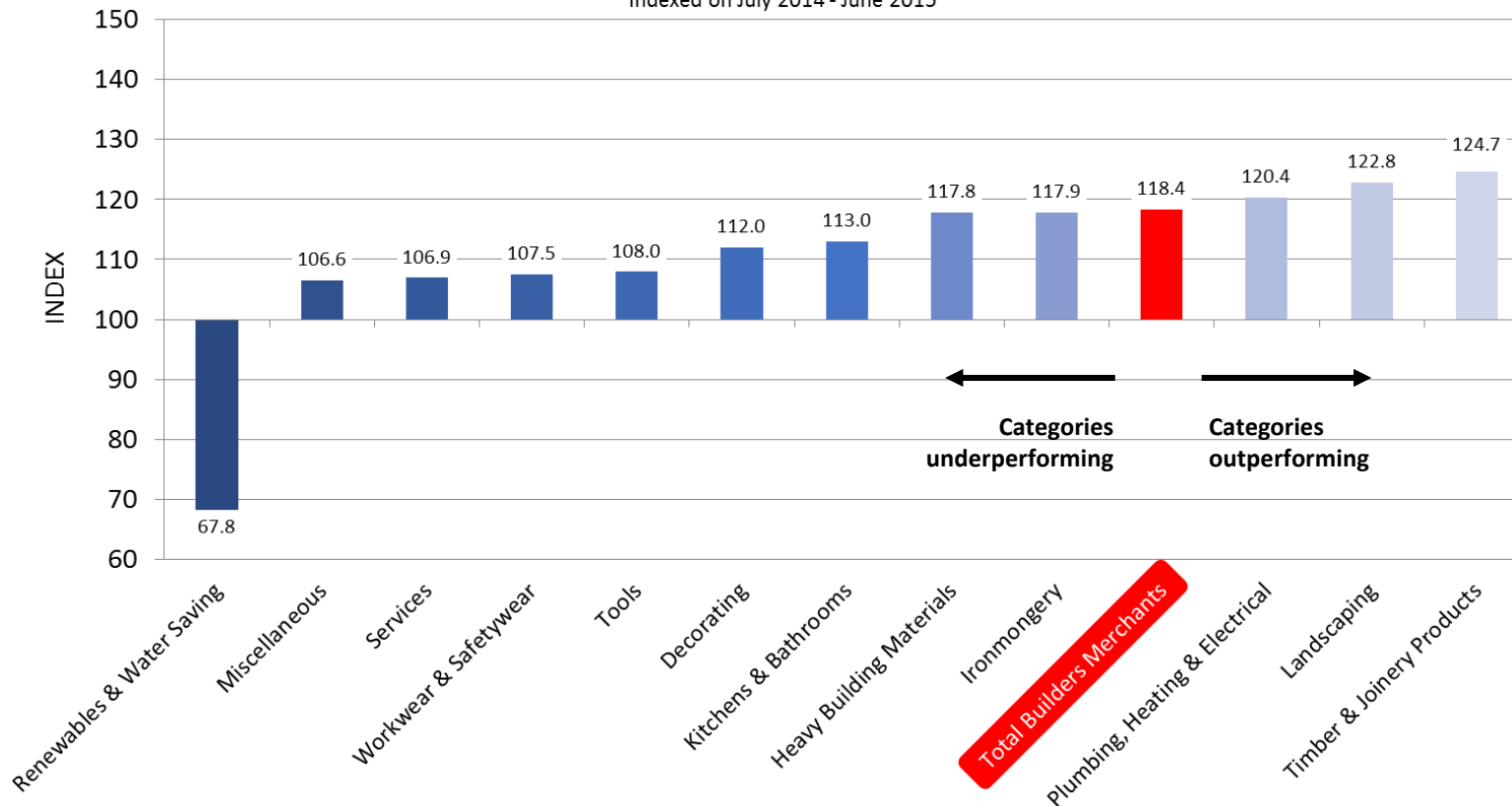
 Source: GfK's Builders Merchants Total Category Report July 2015 to September 2018

# Monthly: Index and Categories

## September 2018 index

### September 2018

Indexed on July 2014 - June 2015

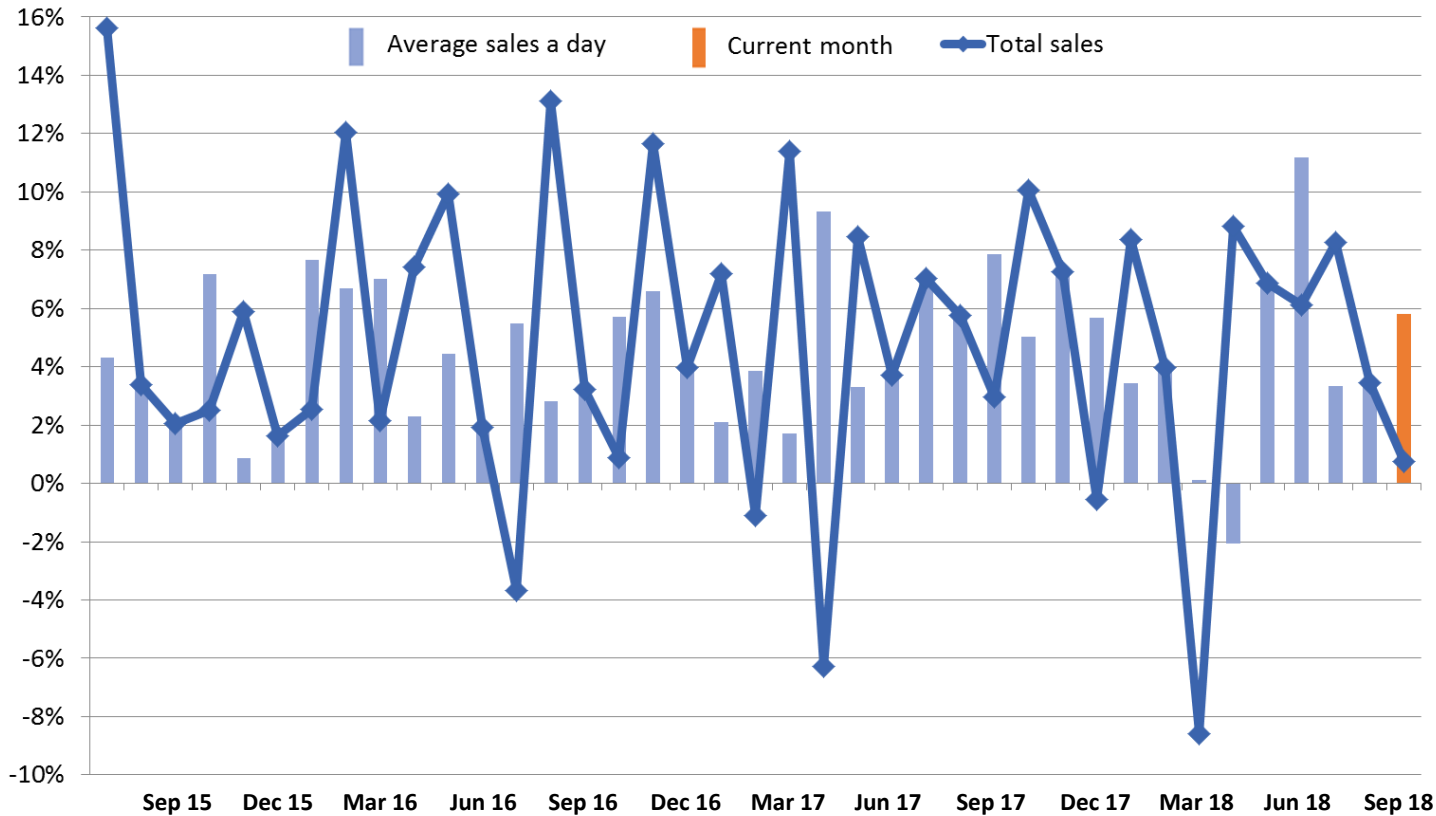


 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to September 2018

# Monthly: Sales Indices

## Adjusted and unadjusted for trading days

### Monthly: Year on Year



Trading days:

Index Months: 20.8 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 22 16 22 20 21 20 21 21 22 22 20

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

# Monthly: This year v last year

## September 2018 sales indices

### September 2018 index v September 2017 index

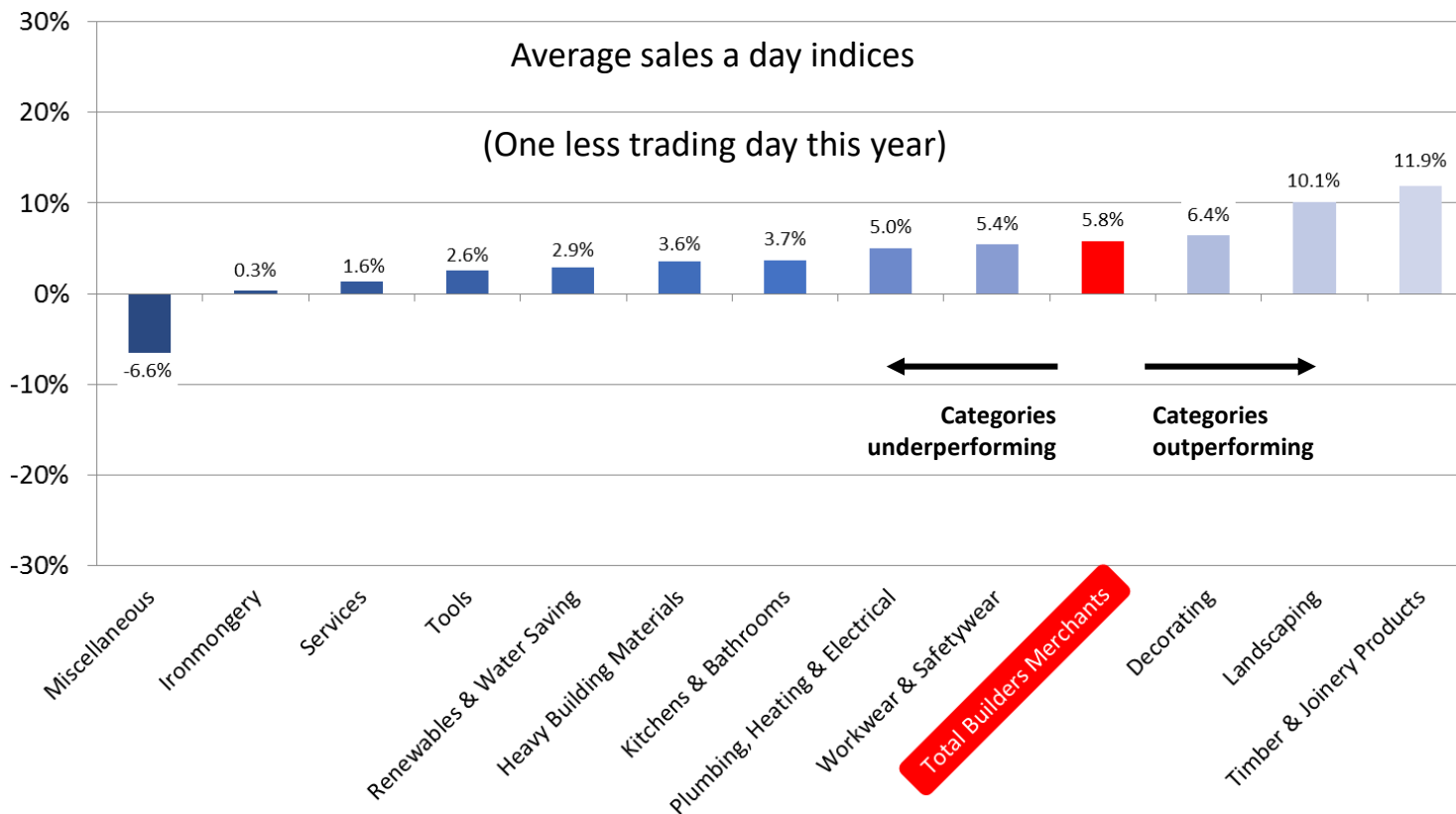


 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to September 2018

# Monthly: This year v last year

## September 2018 average sales a day indices

### September 2018 index v September 2017 index

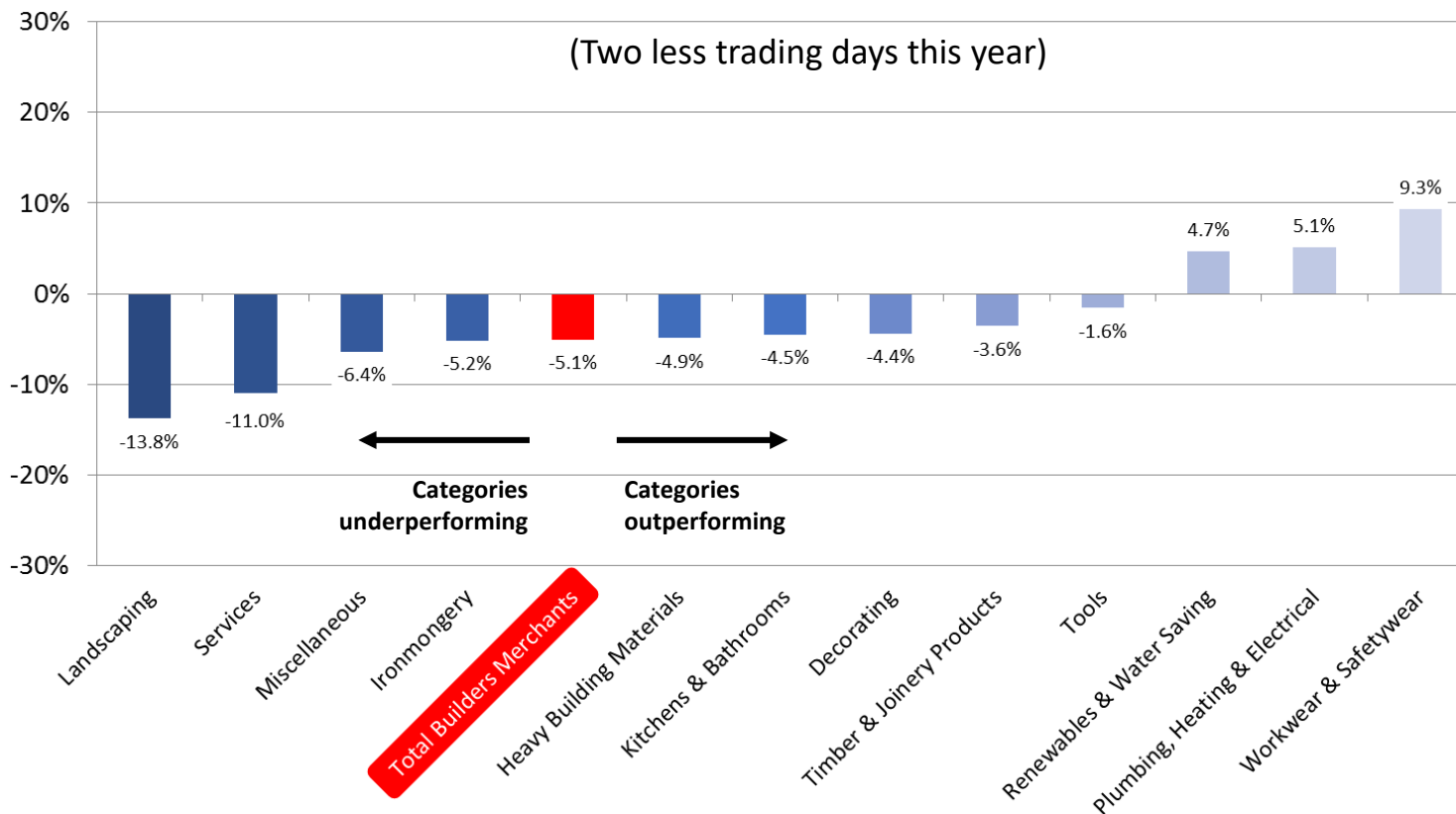


 Source: GfK's Builders Merchants Total Category Report July 2015 to September 2018

# Monthly: This month v last month

## September 2018 sales indices

### September 2018 index v August 2018 index

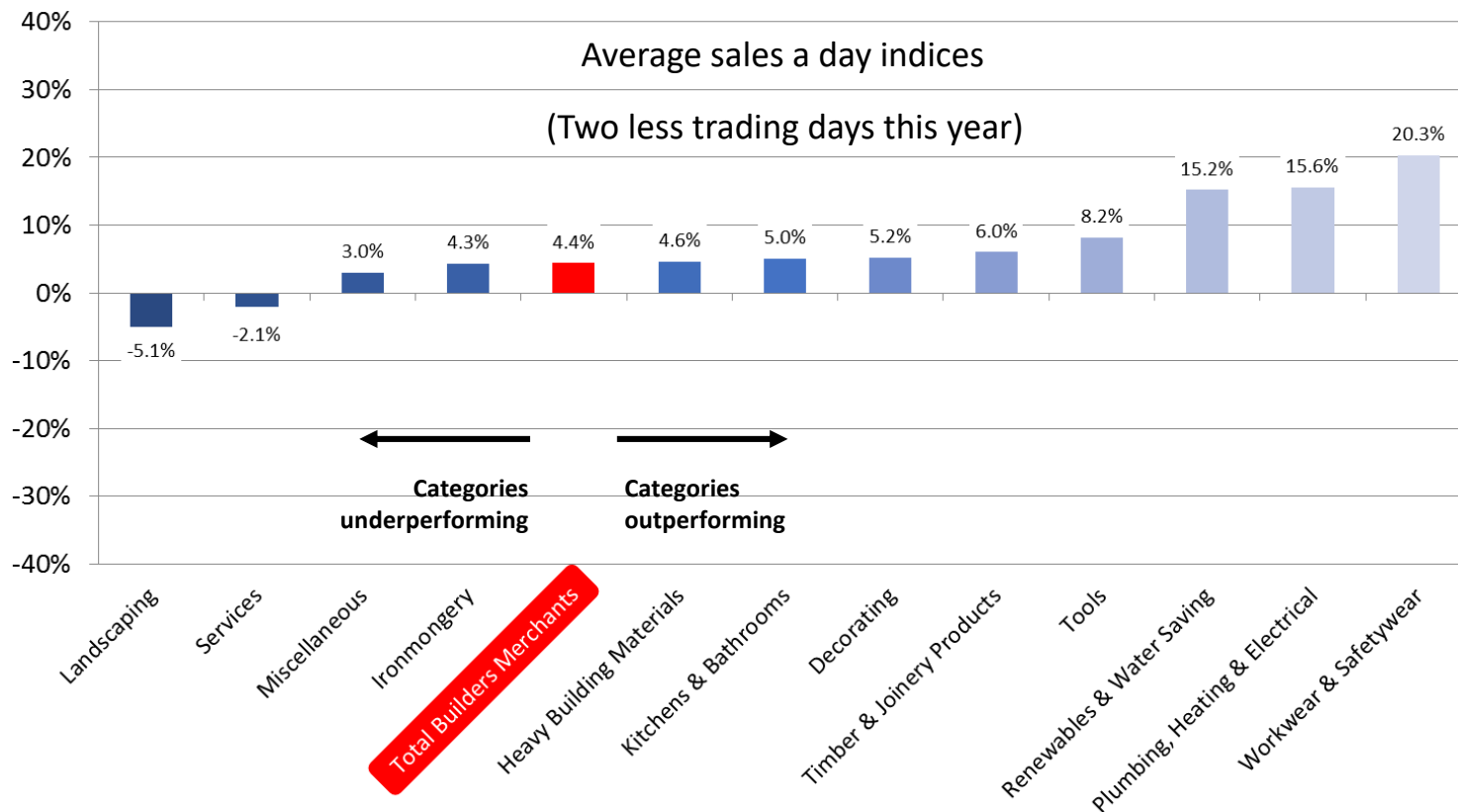


 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to September 2018

# Monthly: This month v last month

## September 2018 average sales a day indices

### September 2018 index v August 2018 index



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

# Quarterly: Index and Categories

## Quarter 3 2017\* to Quarter 3 2018

(Indexed on July 2014 to June 2015)



QUARTERLY SALES VALUE INDEX	Index	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018
<b>Total Builders Merchants</b>	<b>100</b>	<b>119.1</b>	<b>107.2</b>	<b>106.4</b>	<b>124.4</b>	<b>124.0</b>
Timber & Joinery Products	100	117.1	108.1	109.5	122.9	128.3
Heavy Building Materials	100	120.7	107.9	104.9	124.2	123.5
Decorating	100	113.9	102.3	103.0	112.8	116.2
Tools	100	109.8	104.7	104.2	109.6	110.1
Workwear & Safetywear	100	100.9	110.0	110.9	97.3	100.6
Ironmongery	100	125.3	115.2	117.8	122.3	123.7
Landscaping	100	130.4	93.8	91.4	155.5	140.6
Plumbing, Heating & Electrical	100	113.4	122.7	129.5	120.1	117.2
Renewables & Water Saving	100	69.0	69.1	77.1	73.2	68.7
Kitchens & Bathrooms	100	115.2	111.6	114.6	116.3	117.6
Miscellaneous	100	120.5	111.4	113.9	115.7	112.4
Services	100	112.4	100.7	98.9	117.3	116.1

\*Click the web link below to see the complete series of quarterly indices from Q2, 2015.

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

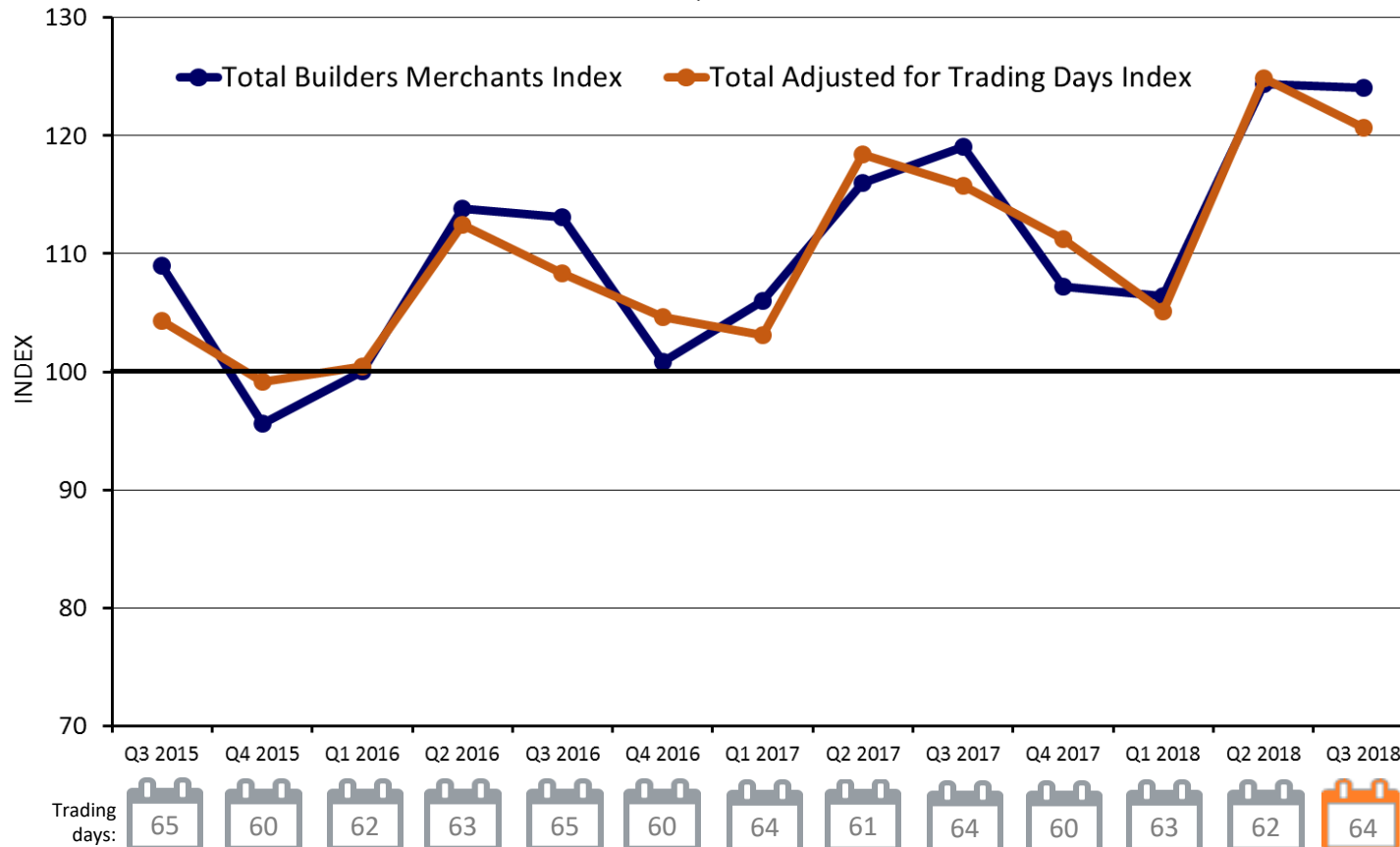


# Quarterly: Index

## Adjusted and unadjusted for trading days

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

Indexed on July 2014 - June 2015



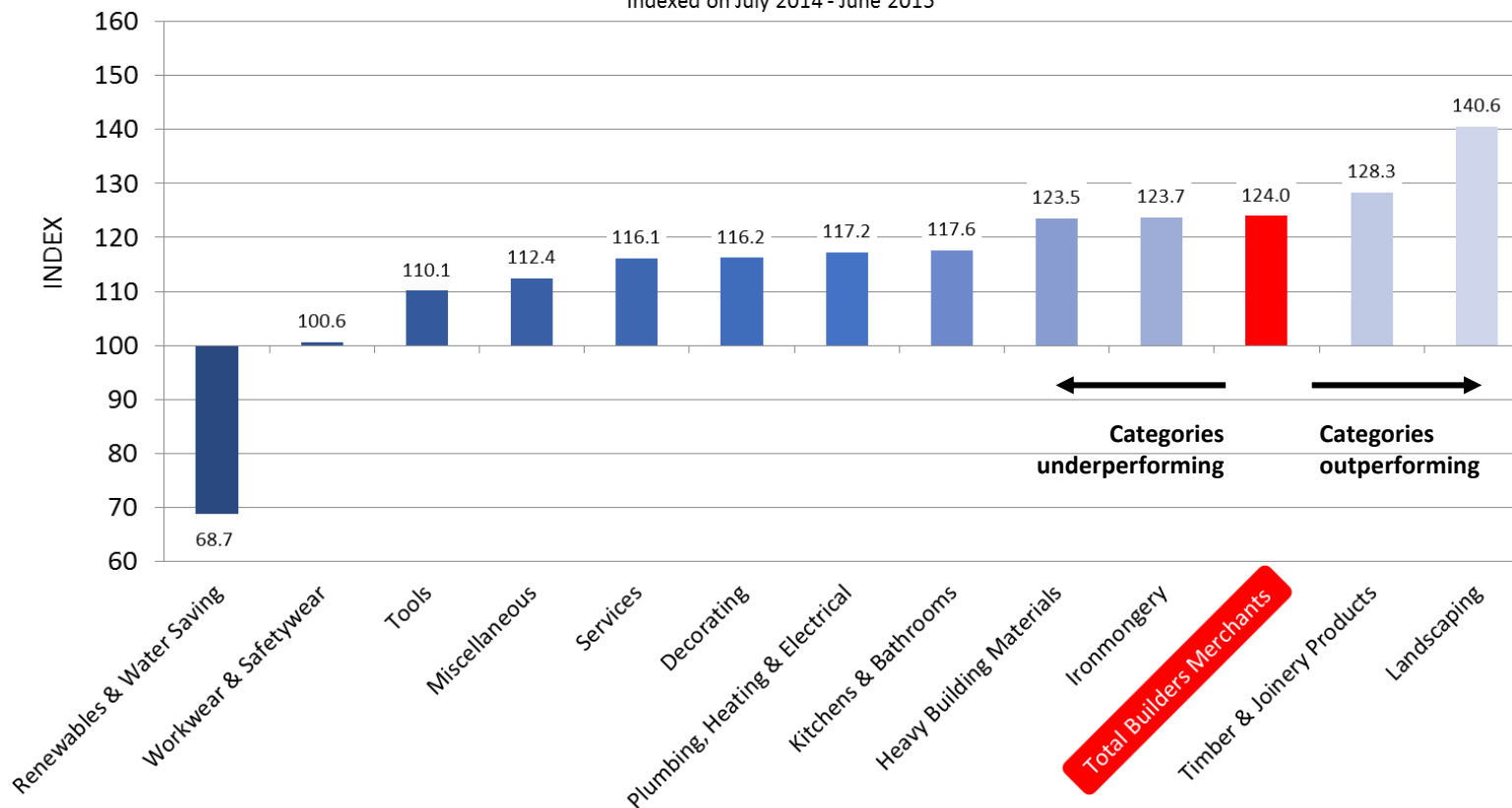
 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to September 2018

# Quarterly: Index and Categories

## Q3 2018 index

### Quarter 3 2018

Indexed on July 2014 - June 2015



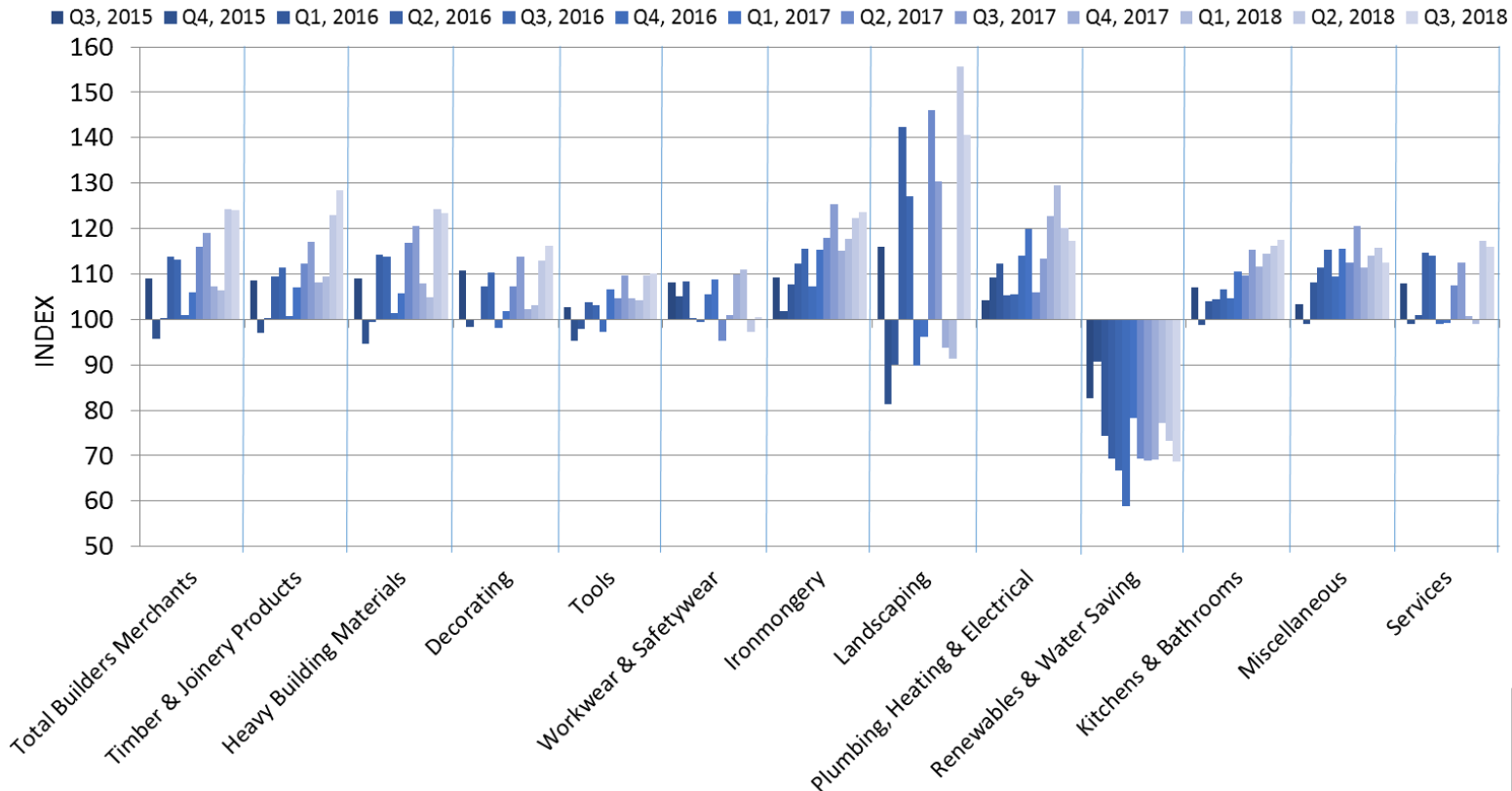
 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to September 2018

# Quarterly: Index and Categories

## Quarterly indices

### Quarterly Indices

Indexed on July 2014 to June 2015

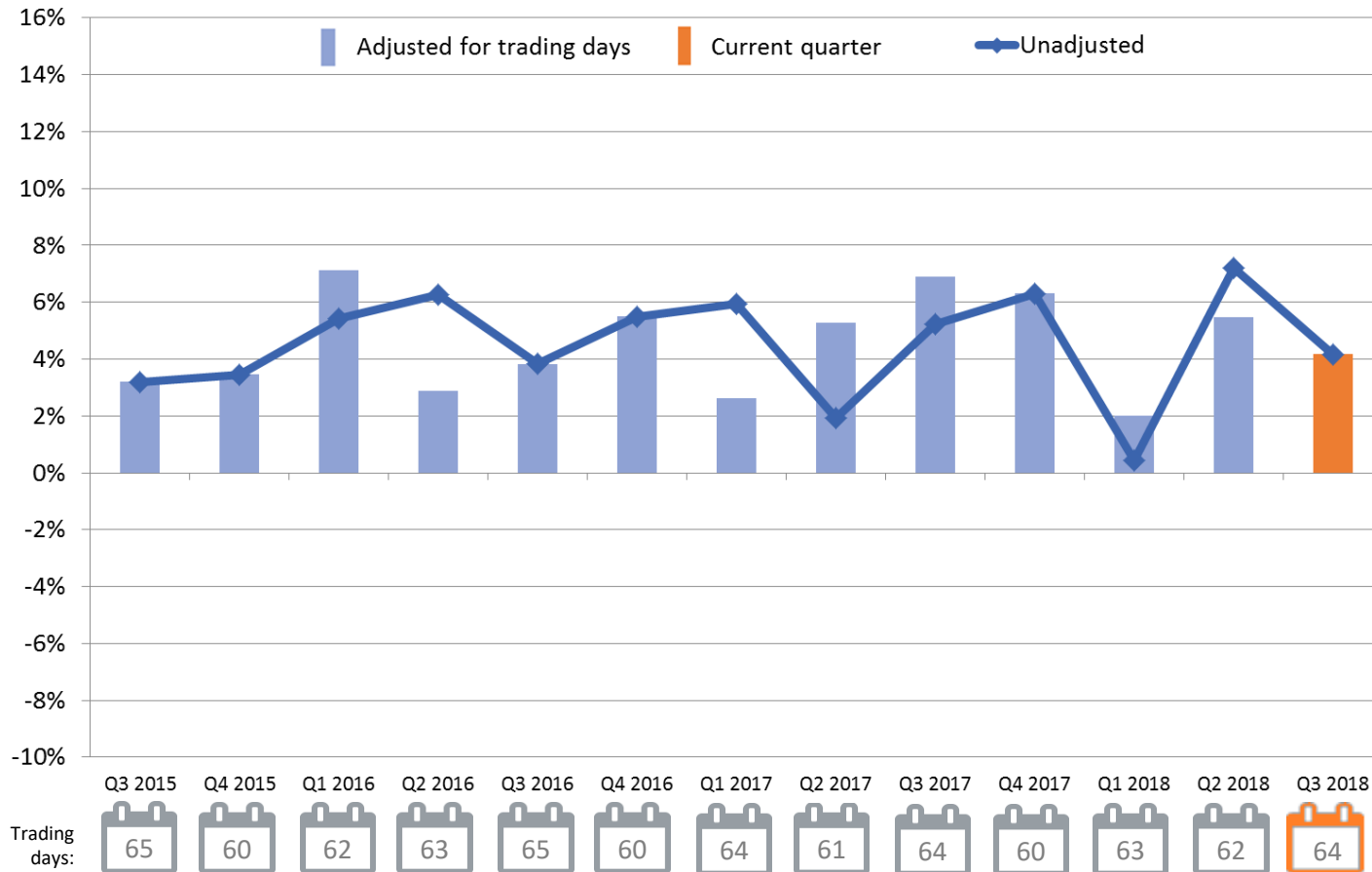


 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to September 2018

# Quarterly: Sales Indices

## Adjusted and unadjusted for trading days

### Quarterly Indices: Year on Year

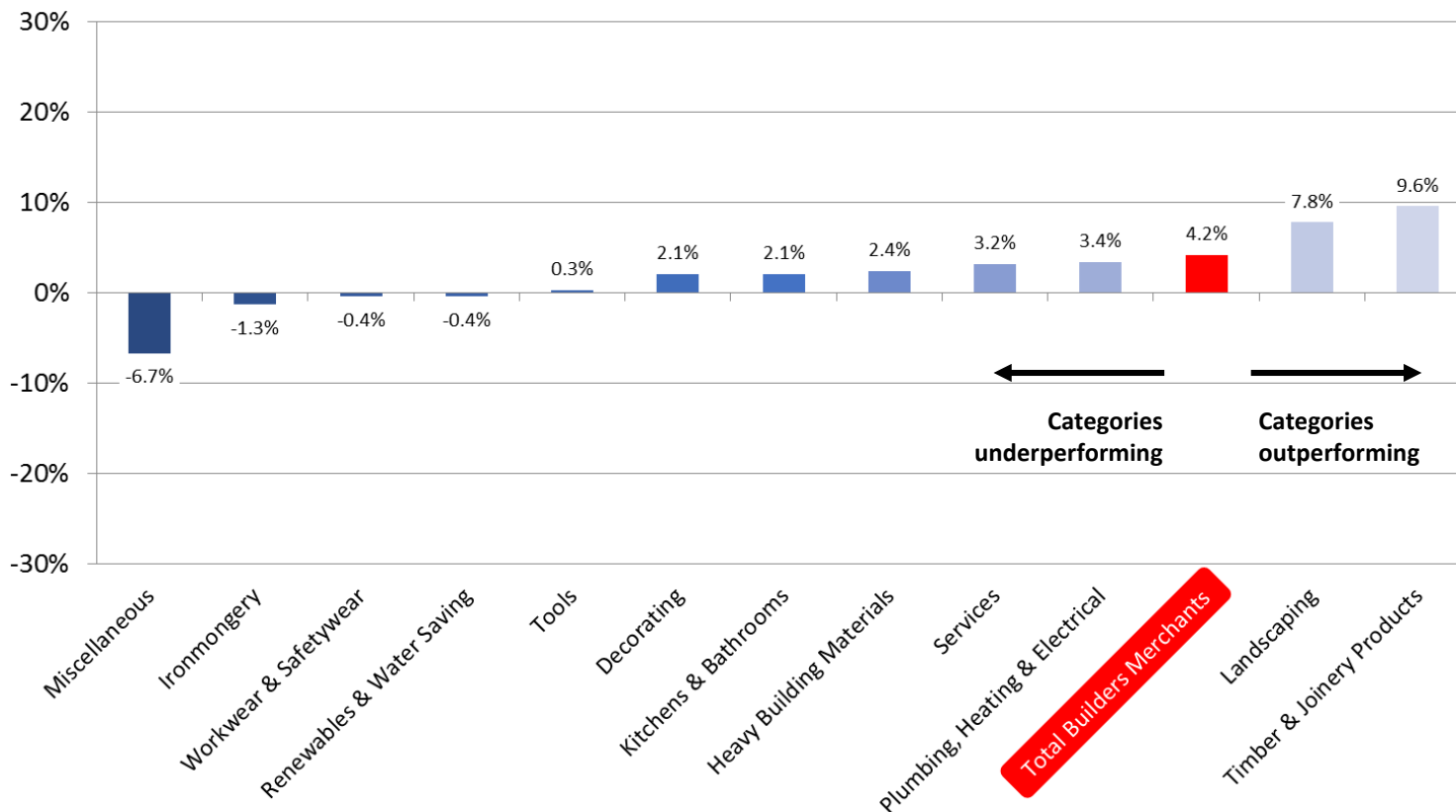


 Source: GfK's Builders Merchants Total Category Report July 2015 to September 2018

# Quarterly: This Year v Last Year

## Q3 2018 sales indices

### Quarter 3 2018 index v Quarter 3 2017 index

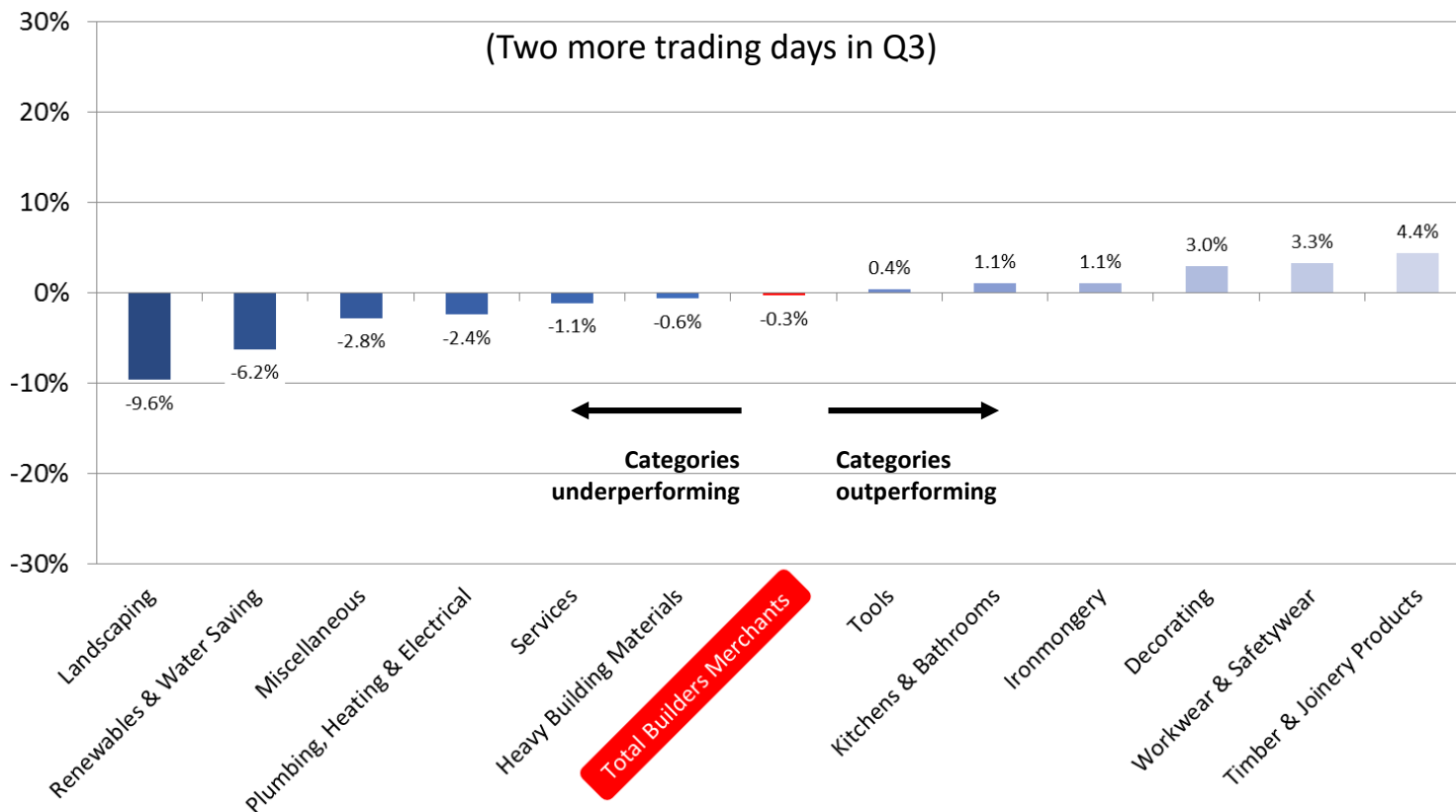


 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to September 2018

# Quarterly: Quarter on Quarter

## Q3 2018 sales indices

### Quarter 3 2018 index v Quarter 2 2018 index

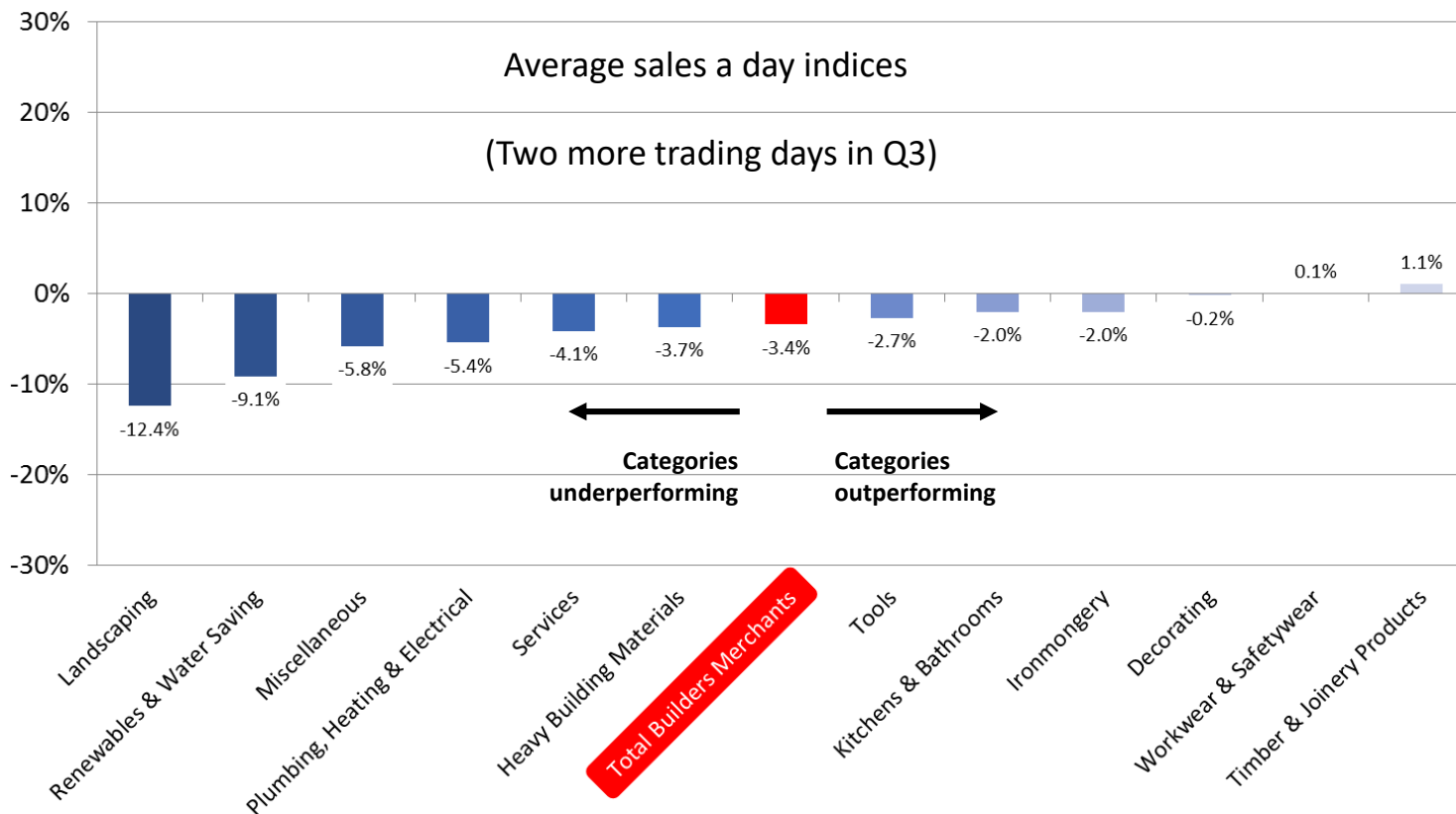


 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to September 2018

# Quarterly: Quarter on Quarter

## Q3 2018 average sales a day indices

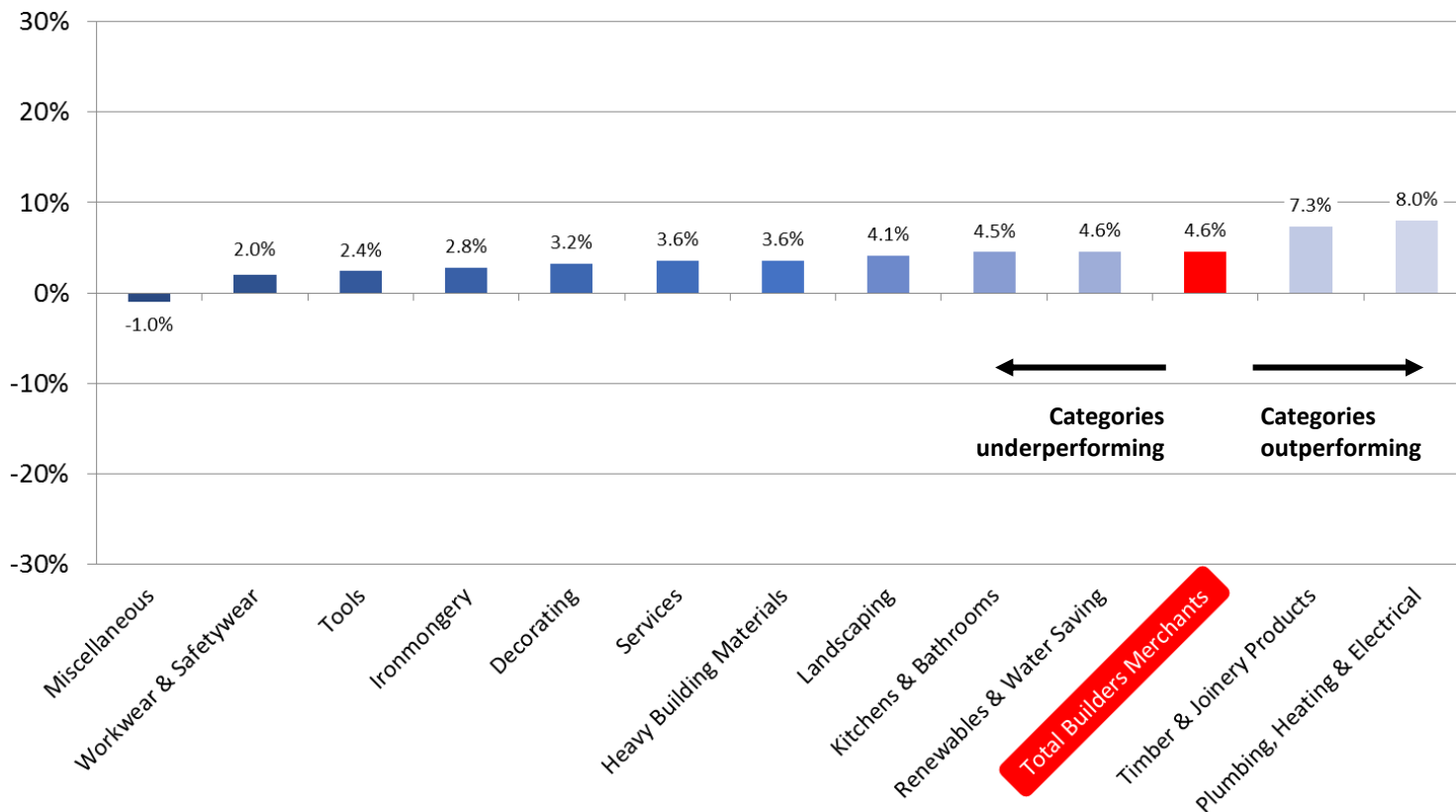
### Quarter 3 2018 Index v Quarter 2 2018 Index



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

# Last 12 Months: Year on Year

## 12 months Oct 17 to Sep 18 v 12 months Oct 16 to Sep 17



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



# Expert Panel

## Shower Enclosures & Showering

(Part of Kitchens & Bathrooms)



### **Mike Tattam, Sales & Marketing Director Lakes, is BMBI's Expert for Shower Enclosures & Showering.**

After a relatively strong second quarter, BMBI Q3 kitchen and bathroom sales were disappointing. Sales started well but weakened during the period. Compared with the same three months in 2017, value sales were up just 2.1% against total builders' merchants' sales, 4.2% ahead. But comparing the 12 months to September 2018 with the same twelve months in 2017, there was little divergence (up 4.5% against total sales up 4.6%).

New Build housing is up with very good prospects, but housing moves are down, affected by uncertainty and ceaseless media criticism of the Government's handling of the Brexit negotiations.

Kitchens and bathrooms RMI sales appear no better or worse than overall builders' merchant sales. But in more visible, higher value home improvements such as kitchens, bathrooms, hard landscaping, windows, doors and conservatories which visibly enhance the value of a property, sales are a composite of two different, diverging markets. At the premium, upper-end of the market sales are relatively untroubled by weaker economic forces, while Mrs May's JAMs, the Just About Managing middle and lower sectors of the market, struggle to fund the improvements they need.

In the last 20 years, the over-55 homeowners have seen their housing wealth rise as house prices boosted their value. Largely mortgage free, they own the bulk of UK savings and many enjoy secure pensions. These homeowners – the Haves - drive premium sales in most home improvement markets, and across home improvements the premium is expanding while the middle and budget are contracting. Most innovations and product enhancing developments are designed for them. They buy the improvements they want, when they want, because they can. Younger homeowners, often with far higher incomes, have competing priorities and higher outgoings, leaving far less to spend on the home.

Whatever happens in the aftermath to Brexit, the Haves, particularly the over 55s, will be relatively unaffected. Even in doomsday scenarios where house prices lose a large part of their value, they remain house-wealthy with their savings and pensions intact. It's a safe bet that the premium market sector continues to grow strongly with a demand for style, design and additional functionality.

“At the premium, upper-end of the market sales are relatively untroubled by weaker economic forces, while Mrs May's JAMs, the Just About Managing middle and lower sectors of the market, struggle to fund the improvements they need.”

# Expert Panel

## Paint

(Part of Decorating)



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

If the 'Beast from the East' was this year's villain, the hero for decorative paint was the fantastic summer and early autumn weather which boosted many categories, particularly garden woodcare with volumes up more than 3%.

Although the predicted economic fallout from the Brexit negotiations has not yet materialised, consumer confidence is low. Housing transactions are lower than forecast and lower than last year. This impacts paint sales as there is a direct correlation between housing transactions and paint sales. Despite an increase in August volumes, driven by retailer promotion, the retail paint market is challenging.

Reviewing the trade market, the volume decline from the early poor weather is recovering compared to last year. Year to date, the market was down 0.8% overall in September, but Q3 volumes were up 2.5%. The masonry category performed particularly well – no surprise given the summer weather. Construction output continues to recover from a slow start to 2018, increasing 3% in the three months to August. This gives some optimism to the paint market for Q4 and beyond.

The emulsions category is by far the biggest in the trade market. Trends in emulsion sub-categories come from vinyl matt with volumes squeezed by contract and durable matt ranges. Contract is high volume, particularly from the house build sector, but lower value. Much needed added-value comes from the durable sector, focussing on specification rather than price. We expect to see more innovation and focus in this sub category.

Water-based finishes volumes for woodwork continue to grow but solvent-based finishes still dominate. The drive to innovate is focused on improvements in water-based technology. Our target is to achieve 50% water-based products by revenue in our wood finishes portfolio by 2020. As well as being better for the environment, water-based products are quicker drying, non-yellowing, lower odour, and safer to use.

Finally, in a further sign of the nervousness and uncertainty we've seen during the year, an increasing number of merchants are contingency planning for March 29th 2019. But, stockpiling in advance will put pressure on the supply chain.

**“An increasing number of merchants are contingency planning for March 29th 2019. But, stockpiling in advance will put pressure on the supply chain.”**

# 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.

After decades when they were unable to sell bespoke PVC-U windows and doors competitively, builders' merchants discovered that with the right package they could sell very successfully. Since then, growth has been electric. As the sector market leader, our own numbers show no sign of slowing.

Q3 enquiry levels were 30% up year-on-year, 8.2% up on Q2 2018. Orders were 35% up year-on-year, and 9% up on Q2. There's been a big interest from merchants in the tools that help them grow eg showroom and display products, and requests for advice on online configuration and design are up strongly. Average hits a day from merchants on 'use of configurator' are up 42% year-on-year. Developers seeking 'price from plans' are up 28%. Requests for supply and fit services are rising.

Throughout the supply chain, buyer behaviour is changing. Day to day, the pace of change isn't obvious, but compared with five years ago it's dramatic. Most builders and installers have a smartphone. Many run their business from it. But the more we personally buy from companies like Amazon that offer almost instant availability, the more we personally want it. Asked do we really need it now, we may say no. But asked would we like it now, we say yes. We also want it easy, and the slicker and quicker the better. Once we've taken the decision to buy, we want it now! The days when we were happy waiting weeks are over.

A recent Bain & Company survey found only 8% of customers believe they're getting a great customer experience, while 80% of organisations believe they're giving a great experience!

By making every step of a homeowners' Omnichannel journey – from searching online and initial engagement, to instore product viewing; helping them narrow the choice with informed advice and knowledge so they can decide and buy; to offering home-fitting using trusted and independently verified tradespeople - easier, quicker, more convenient and friction free, the customer experience you offer gets closer to what customers value.

“Builders’ merchants discovered that with the right package they could sell very successfully. Q3 enquiry levels were 30% up year-on-year, 8.2% up on Q2 2018. Orders were 35% up year-on-year, and 9% up on Q2.”

# Expert Panel

## Roof Windows

(Part of Timber & Joinery Products)



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

Quarter three has continued positively as the roof window industry experienced another double-digit growth period. This reflects the increase in construction output reported by the ONS (+2.1% for the quarter) and a record registration of new build homes reported by the NHBC. Their latest report suggested that UK builders registered more than 43,500 new homes in Q3 2018, the highest quarter since 2007. We believe this was due largely to the sustained good summer weather, allowing the industry to more than recover the losses from the poor start to the year.

The growth of white finished product continues to dominate the roof window market: white PVC products now accounts for 25% of Keylite sales. Flat roofing products are also rising in popularity, indicative of the buoyant home improvement market.

The value of sterling has been volatile over the quarter, with no clarity on Brexit and the 'Deal or No Deal' scenario. However, sterling's strengthening at the end of the period suggests that people feel Brexit is likely to become Brino (Brexit In Name Only), with no exit from the Customs Union. While uncertainty continues, the strength of RMI may indicate a trend to improve rather than move home, which is good for roof windows.

We believe manufacturers should ensure they're prepared for a 'No Deal Brexit.' For Keylite, this means increasing our stock holding in our Midlands distribution centre and the use of container logistics on short sea crossings to avoid potential bottlenecks at Dover. Last quarter, we cited consumer confidence and bank lending being pivotal for the long-term market. This is still the case with continued uncertainty as we come into the final few pre-Brexit months.

Online selling remains a threat for the economy despite the relief granted in the Chancellor's budget for high street retailers. This has implications for builders' merchants, but unlike some industry partners, we see this as a potential growth area. There may be opportunities for merchants, particularly in partnership with manufacturers who are willing to invest in online support on merchants' behalf.

“The growth of white finished product continues to dominate the roof window market: white PVC products now accounts for 25% of Keylite sales. Flat roofing products are also rising in popularity, indicative of the buoyant home improvement market.”

# Expert Panel

## Timber & Panel Products

(Part of Timber & Joinery Products)



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

The third quarter of 2018 continued to see strong year-on-year growth for timber and panel products reflected in the BMBI statistics, influenced by good weather and strong demand from the construction sector.

Brexit remains firmly in the headlines as we move closer to the 29th March 2019. Preparing for the outcome is difficult but, as an industry, options are being explored regardless of the final outcome. The Timber Trade Federation has produced a "Step by Step Guide to a 'No Deal' Brexit". In addition, lobbying of government has resulted in a commitment to strengthen the timber trade and minimise additional costs on import and export timber.

Hardwood timber supply over the major species is generally good with stable pricing, although exchange rate fluctuations remain a concern. North American supply is still a concern following the US/China trade war but wood is available. The African supply situation remains difficult with internal transport and shipping costs impacting on availability.

Demand has increased for larch cladding rather than cedar due to high cedar prices over the last 12 months. Prime European oak continues popular for high quality joinery and mouldings; lower grade character oak has seen growth in other market sectors. Ash, maple and walnut are very much back in vogue in kitchens with good demand. Hardwood decking has performed well this season as a popular alternative to composite decking options.

Engineered timber for windows and doors in softwood, red hardwood and European oak is continuing to see good growth, with customers recognising the cost benefits.

Panel products have seen an improved position in the availability of MDF (medium density fibreboard) and OSB (oriented strand board) and pricing has stabilised. No further price increases are expected in 2018. P5 flooring chipboard supply has also improved in Q3 with further supply to come online in Q4. P2 furniture grade chipboard supply remains tight with the majority of supply coming from central European mills. Plywood supply is currently challenging with availability, quality and price all a concern.

“Engineered timber for windows and doors in softwood, red hardwood and European oak is continuing to see good growth, with customers recognising the cost benefits.”

# 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.**

Quarter three was a very mixed period, which ended in a particularly poor September. This was surprising given that many sectors in the construction industry had pulled back volume in Q2 from sales lost in the first quarter. It's hard to explain it, with suggestions that more people have taken to holidaying in September. More likely, I believe it is down to a decline in construction orders and projects being delayed because of persistent uncertainty and concerns over the possibility of a 'No deal' outcome to Brexit.

However, October was a lot better and we've seen good indications for November so far. Perhaps people just want to get on with Brexit now?

The rainwater sector is busy with the residential sector performing particularly well. High-rise residential is also buoyant, with significant growth in projects where aluminium fascia, soffits, copings and cills, such as our Skyline product, are specified – particularly in one of the many shades of available grey! Grey is an increasingly popular choice as specifiers look for a contemporary look in a high-performance long-life product.

One of the most interesting and significant developments is the surge we've seen in requests for bespoke products. We believe this trend is one of the many consequences of the skills shortage. Bespoke solutions – a form of off-site construction – can save on-site time and labour, while guaranteeing a predictable quality construction when contractors are struggling to maintain the necessary level of skills on site.

Civils is a very cautious sector of the market. As I mentioned in last quarter's report, there are a few factors contributing to this caution, including postponed projects and the need to catch up on projects which had been delayed by the extreme bad weather in Q1. There is also much rebidding going on in the contractor base.

Given the current political turmoil, we are also cautious for the immediate market outlook, the winter ahead and the run-up to Brexit as we get ready for that all-important date in March.

“One of the most interesting and significant developments is the surge we've seen in requests for bespoke products. We believe this trend is one of the many consequences of the skills shortage.”

# Expert Panel

## Cement & Aggregates

(Part of Heavy Building Materials)



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

The Mineral Products Association (MPA) reported that seasonally-adjusted demand for construction products weakened in quarter three across all markets. Asphalt saw the largest decline (by -4.6%), but mortar (-4%), aggregates (-2%) and ready-mixed concrete (-1.5%) were all down. The longer-term picture is that housebuilding and infrastructure projects continue to be strong while ready-mixed concrete volumes continued to decline due to the slowdown in commercial and other public work.

Construction output is expected to be flat in 2018 with modest growth forecast in 2019 and 2020. It is worth noting that these forecasts are based on having some form of agreed withdrawal process from the EU with a transitional period to December 2020.

The Chancellor's autumn budget had some good news for the construction sector with increased spending levels and improvements to the planning process to address the housing crisis. Aggregate tax was frozen at £2 a tonne which saves the industry £11.3 million in 2019/20. One announcement that will affect the sector was the planned £16 a tonne carbon emissions tax should we have a no-deal Brexit. This tax affects all stationary installations that participate in the EU Emission Trading System (ETS) such as cement production plants. The tax could add a significant cost to producers and end users. Plastic packaging will also be taxed from 2022 if it contains less than 30% of recycled plastic.

It will be challenging for the industry to meet the government's targets on new housing and planned infrastructure given the current cocktail of capacity constraints, skills shortages, material shortages and transport pressures. The challenge for transport is finding sufficient numbers of drivers and vehicles. These constraints are widely debated at industry forums and there is no quick fix for the issues we face. Offsite construction is seen as the answer to some of the current issues, but in reality it is difficult to see how this is going to be achieved given the investment needed in the current uncertainty.

**“It will be challenging for the industry to meet the government's targets on new housing and planned infrastructure given the current cocktail of capacity constraints, skills shortages, material shortages and transport pressures.”**

# Expert Panel

## Roofing Products

(Part of Heavy Building Materials)



### **Paul Owen, Commercial Director Distribution IKO PLC is BMBI's Expert for Roofing Products.**

Quarter three delivered mixed fortunes for the roofing sector – depending on region and sector – a situation that we have seen for most of the year. The BMBI Heavy Building Materials category, in which roofing performance is included, grew 2.4% in Q3 compared to Q3 17. This growth was a mix of a strong July (+6.8%) petering out to a negative performance in the month of September (-1.3%).

For the roofing sector specifically, merchants and distributors report Q3 roofing sales significantly up on a strong Q2. More importantly for the long-term picture, sales are up on Q3 2017 with independent merchants performing particularly well.

The new build private housing market is again keeping contractors busy, particularly in the North West and the Midlands. This activity has been buoyed by the Government's 'Help to Buy' scheme. The new housing markets in London and South East, however, continue to lag behind the national picture.

Within the Repair Maintenance and Improvement (RMI) sector some contractors report that workloads are a little quieter than in previous years, although this varies by region and sector. However, overall there has been sufficient work to keep the trades busy, with fewer days lost to bad weather as a result of the long hot summer.

Many contractors report that they have recovered time and sales lost to extreme bad weather in quarter one and are back on track for 2018, with order books to take them through quarter four and into 2019. This is very positive news for the sector.

While all eyes are currently on the turmoil and political fallout at Westminster and the Brexit negotiations, and continuing forecasts of dire consequences for the economy and construction, the sector itself is getting on with it. It seems that there is enough optimism in our industry and, at the end of the day, the nation will always need a roof over its head.

“Merchants and distributors report Q3 roofing sales significantly up on a strong Q2. More importantly for the long-term picture, sales are up on Q3 2017 with independent merchants performing particularly well.”



# Expert Panel

## Steel Lintels

(Part of Heavy Building Materials)



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

With good weather came good fortune. A long hot summer helped us recover from the relatively poor cold weather-disrupted Q1. The key challenge was to see how much growth the market could really deliver in Q3. I am delighted to report that Q3 has broadly continued the strong performance we enjoyed in Q2, albeit with a slight decline in September.

Enquiries continue to show modest growth, with the large house builder sector stronger than the small to medium sector. The lead times and allocation on various products are having an impact on project times, although I suspect labour availability is a bigger challenge.

NHBC reported that new homes registrations increased by 15% to 43,500 new homes for the July to September, and by 12% to 10,058 in affordable homes.

House builders can't just design a house with a fairly basic specification: they have to calculate how the house will perform thermally. Before starting work, house builders calculate the SAP rating to produce a predicted energy assessment to meet changes to Part L of the Building Regulations which introduced a mandatory fabric energy efficiency standard (FEES).

As traditional steel lintels create a significant thermal bridge in a building, house builders now specify lintels, such as Hi-therm+, which are up to five times more thermally efficient. Social housing has more stringent thermal requirements, so we are seeing greater demand in that sector for these high-performance lintels.

Housing ministers have suggested that there needs to be more innovation in housebuilding. We've certainly seen modern methods of construction and off-site construction being adopted, although the pace of adoption is slow.

The government's plans for Brexit pose many questions but it's clear that the preparation of raw material, finished products and labour will be critical in the transition period. A robust supply chain with merchants maintaining good stocks on the ground and supply partners that support loyal stockists has never been more important. Speaking for Keystone, we are ready.

*“A long hot summer helped us recover from the relatively poor cold weather-disrupted Q1. I am delighted to report that Q3 has broadly continued the strong performance we enjoyed in Q2, albeit with a slight decline in September.”*

# Expert Panel

## Mineral Wool Insulation

(Part of Heavy Building Materials)



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

Across the mineral wool insulation sector, demand still exceeds supply with the major manufacturers having to restrict sales through allocation programmes. Knauf Insulation's own product restrictions are now relaxing as we move into 2019 – in part due to the recent upgrade of our manufacturing plant in Cwmbran, South Wales.

With overall demand remaining strong, some interesting regional bias is emerging. Sales from housing and commercial projects in London and the South East appear to be cooling from a very high level. On the other hand, the West Midlands and the North West are really flying at the moment.

In September, we saw the outcome of the ECO3 (Energy Company Obligation) consultation. After much discussion and lots of promise, ECO3 has become only a 'nice to have' for the insulation sector. In the end, it didn't signal the ambition we were hoping to see from government in terms of addressing the energy efficiency of the nation's housing stock.

Perhaps more noteworthy this quarter has been the government's announcement of its intention to ban the use of combustible materials in the external walls of high-rise buildings. Once implemented, only materials with an A1 or A2 European Reaction to Fire classification will be used on residential blocks, hospitals, schools, care homes and student accommodations over 18m. This is significant in itself, and we look forward to seeing the detail, but I think there's a broader point here about regulation. All indications suggest an increasing tightening of regulation around the in-use performance of building products. This has started with combustibility (and it seems logical that buildings under 18m should soon follow), but we should expect to see other quality and performance factors scrutinised too.

Service is becoming as important as product within manufacturers' propositions. We've all seen the problems when projects are compromised through incorrect specification or poor installation. Indeed, improving competency across the construction industry is highlighted as a priority by the Hackitt Review. Manufacturers should be taking a much more active role in supporting the correct specification and installation of their products, through technical service offerings and the provision of useful guidance materials.

“Some interesting regional bias is emerging. Sales from housing and commercial projects in London and the South East appear to be cooling from a very high level. On the other hand, the West Midlands and the North West are really flying at the moment.”

# 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.**

Despite persistent current political and economic uncertainty, the market continues to perform well especially in the builders' merchant, housing and RMI sectors. New build, which underpins RMI which is the lifeblood of builders' merchants, was given a confidence boost by recent government policy announcements on the building of new housing.

The Government's target of building 300,000 homes a year appears a stretch to the industry which is preoccupied with growing shortages of skills, some materials and capacity. Yet, seen in historical perspective, the target is a mile away from the highest number of new homes ever recorded, 425,830 in 1968! In both the private and social space, housing initiatives seem to be gaining momentum, providing the sector with a significant boost as well as significant challenges, mainly in relation to skilled tradesmen.

Turning to the insulation sector, material shortages continue to affect many suppliers. We do not anticipate improvements to this situation anytime soon.

The construction industry faces several risks. Indeed, in some areas, construction itself is deemed to be a growing risk, with reduced lending from banks to construction following the high-profile failure of Carillion. In the period from March to August, lending to construction companies fell from £34.5bn to £32.6bn. We also face the potential of a changing 'who owns who' landscape as the influence of venture capital grows in the construction and merchant markets.

The potential fall in house prices, one of the many forecast scenarios suggested in a post-Brexit world, is another risk. A fall could destabilise what is and should be a buoyant strong UK housing sector for years to come, and one that's vital for builders' merchants.

Whilst writing this the Brexit issue is blowing up and the waters are becoming muddier and muddier, however the underlying domestic driver for more housing remains in place.

We hope we aren't now proved wrong, and continue to have a strong, confident market, where new build stimulates RMI as home movers spend cash on their new home as they move up the property ladder.

“Despite persistent current political and economic uncertainty, the market continues to perform well especially in the builders' merchant, housing and RMI sectors.”

# Expert Panel

## Bricks

(Part of Heavy Building Materials)

**IBSTOCK | BRICK**

an IBSTOCK plc company



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

With the uncertainty of Brexit looming ever closer, there has been little perceptible impact on the demand for clay facing bricks. After a weather-affected start to 2018, with GB produced brick despatch volumes down 6% in Q1 2018 compared with 2017, Q2 and Q3 have seen a good recovery. Both quarters experienced 2% despatch volume growth against the same periods in 2017.

While overall GB brick despatches, therefore, are broadly flat year-on-year, there has been a significant increase in brick production. In the first nine months of 2018, GB brick manufacturers have produced 9% more bricks than in the same period of 2017, enough to build around 18,000 houses. That's the highest level of output since before the credit crunch, 10 years ago.

Ibstock contributed with its new Eclipse factory now almost at full capacity and steadily increasing production towards its target of two million soft-mud bricks a week by the end of this year. In addition, a factory maintenance programme at some of our 20 factories will increase yields, improve quality and provide greater volumes for the growing market.

With the market anticipating further brick demand growth in 2019, the industry is finalising its production plans. It's becoming increasingly important for our industry to improve schedule accuracy, so manufacturers can provide a more reliable service with greater certainty of availability and supply. Working closely with customers, Ibstock for example, has seen good improvement this year, and we'll continue to prioritise customers providing the most accurate order and call-off information into 2019.

By working together in this way, the manufacturer, builders' merchant and end-user will all benefit from enhanced certainty of supply, giving greater confidence in accurate and meaningful order quantities and delivery dates.

A key point to note is that Ibstock Brick manufactures all its products in the UK and does not rely on imported bricks. We do not expect any major impact from Brexit but are fully prepared for any potential issues we can foresee. While Brexit is creating uncertainty going into 2019, we're determined that the brick supply chain will be doing the opposite!

“In the first nine months of 2018, GB brick manufacturers have produced 9% more bricks than in the same period of 2017, enough to build around 18,000 houses. That's the highest level of output since before the credit crunch, 10 years ago.”

# 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.

Quarter three saw very good weather, with high summer temperatures over a prolonged period. It was ideal for landscaping demand and provided ideal conditions for installation and that was reflected in landscaping sales.

Throughout 2018, porcelain paving has been a real success story, the product hero of the year. It's the clear customer choice for patios with a wide range of colours available that allow greater design flexibility. Merchants continue to expand their porcelain ranges. Demand is such, for example, that Talasey has added 41 new porcelain lines to provide the market with even more choice.

Sales of artificial grass are strong too, benefiting again from the good weather and strong demand. Artificial grass is a product like no other for today's time poor homeowners. The best grass is realistic to look at, comfortable underfoot, child and pet-friendly, and really transforms the appearance of the garden and surrounds for very low maintenance. No surprise then that demand is growing fast, but we urge merchants to add these product lines to the choices available on their websites. With some suppliers selling directly online to installers, these could be missed opportunities for merchants.

Slate sales continue to be constrained by supply difficulties. The product has been hard to get hold of this year as Chinese imports have dried up almost everywhere.

Resin driveways are still growing strongly in popularity. As an indication of the strength of this demand, our recently opened Talasey Training Academy has now trained more than 100 contractors to help more of the industry benefit from this growing opportunity.

At this time of year, merchant branches are often working on their landscaping plans for 2019. Instead they find themselves still selling stone and other landscaping products for 2018 work. This can only be a positive sign of future market demand.

“Throughout 2018, porcelain paving has been a real success story, the product hero of the year. It's the clear customer choice for patios with a wide range of colours available that allow greater design flexibility.”

# 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 third quarter continued to be a challenge for the water heating market overall affected by the prolonged hot summer. Trading across the water heating product sector was at the same level as the previous two quarters, but third quarter performance improved after a slow start in July.

The market for domestic cylinders slowed, going negative in September when compared to September last year. However, bathroom installations and new private housing demand was comparable with 2017, so there should be sufficient momentum to keep the market going over the coming months.

Water heating sales continued in line with last year. Boiling and chilled water dispensers for commercial applications should grow as their benefits become better recognised. For instance, pressure to eradicate single-use plastics is resulting in initiatives to install point-of-use water dispensers instead of bottled water.

Electric space heating also showed growth, as ageing gas boilers are replaced with electric equivalents. This is driven by the stricter regulations associated with inspection hatch requirements for gas boiler flues in flats and apartments: it is easier and less costly to replace the gas boiler with an electric equivalent. Running costs can also be lower than expected if the right electricity tariff is used.

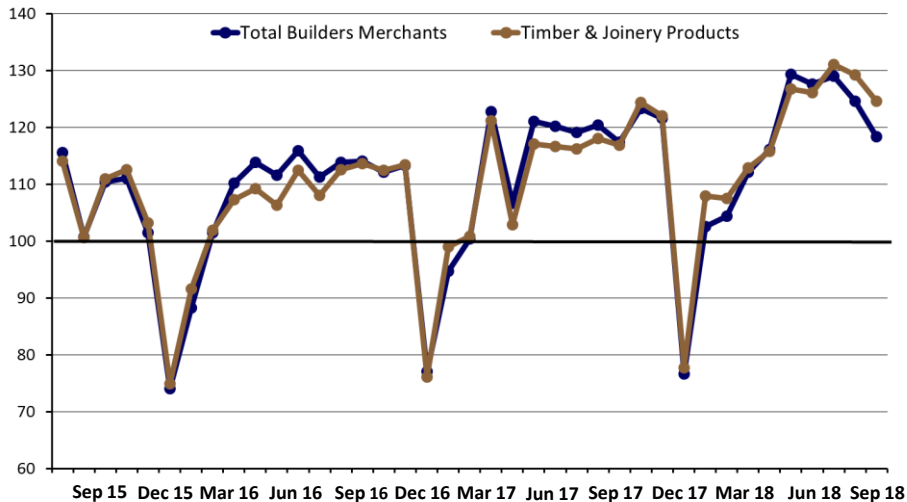
While there will continue to be a sizable UK gas boiler market, the trend – driven by legislation – is towards greater use of low carbon solutions such as air source heat pumps, heating interface units (HIU's) and central plant heating sources. In many cases the use of hot water storage is also required with these low carbon solutions. This means a positive future for domestic and commercial hot water storage cylinders. In fact, the Greater London Authority (GLA) has recently published guidance that any new planning applications from January 2019 should be based on lower grid electricity carbon values from SAP10. This will ultimately be implemented in the rest of the country through Building Regulation Part L. The drive to a sustainable low carbon future is well underway.

“Boiling and chilled water dispensers for commercial applications should grow as their benefits become better recognised. For instance, pressure to eradicate single-use plastics is resulting in initiatives to install point-of-use water dispensers instead of bottled water.”

# Monthly and Quarterly Indices

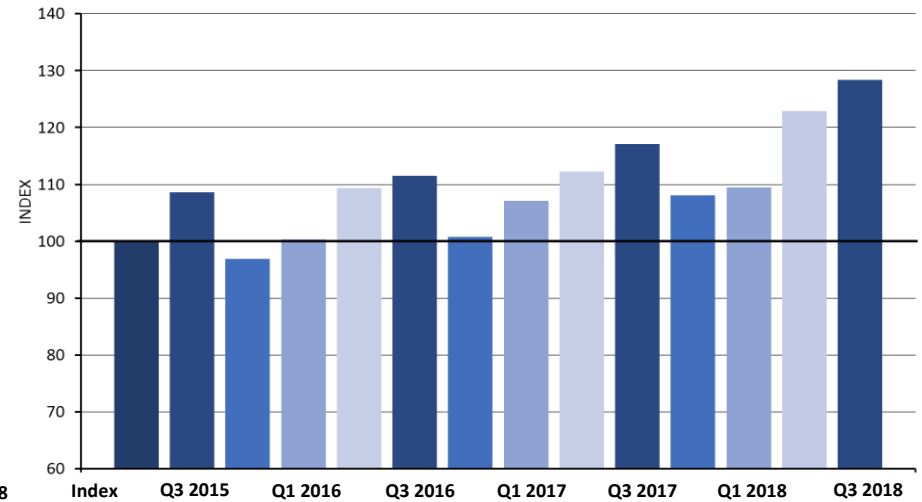
## September 2018 and Q3 2018

### Timber & Joinery Products



Monthly chart indexed on July 2014 – June 2015

### Timber & Joinery Products - Quarterly



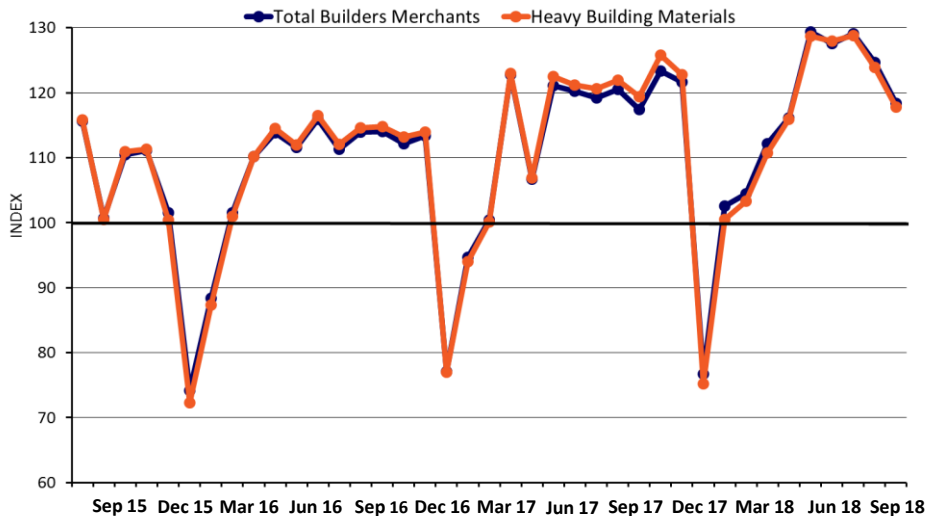
Quarterly chart indexed on July 2014 – June 2015

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

# Monthly and Quarterly Indices

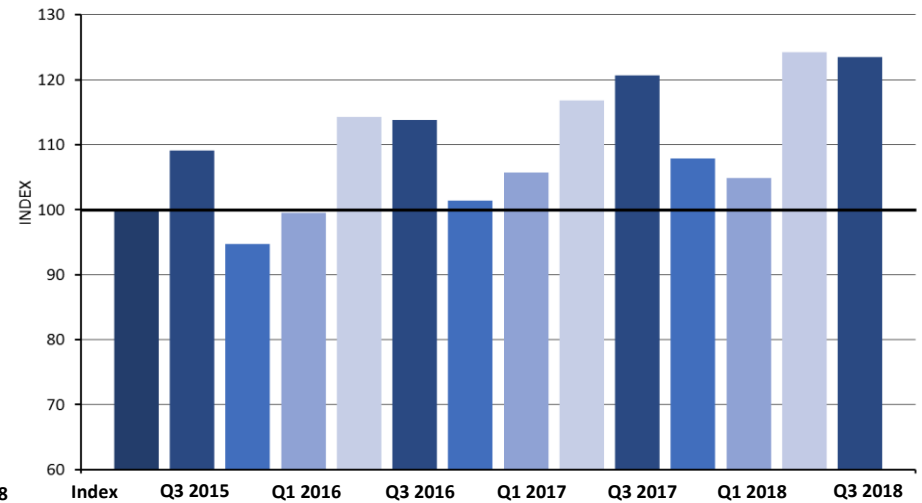
## September 2018 and Q3 2018

### Heavy Building Materials



Monthly chart indexed on July 2014 – June 2015

### Heavy Building Materials - Quarterly



Quarterly chart indexed on July 2014 – June 2015

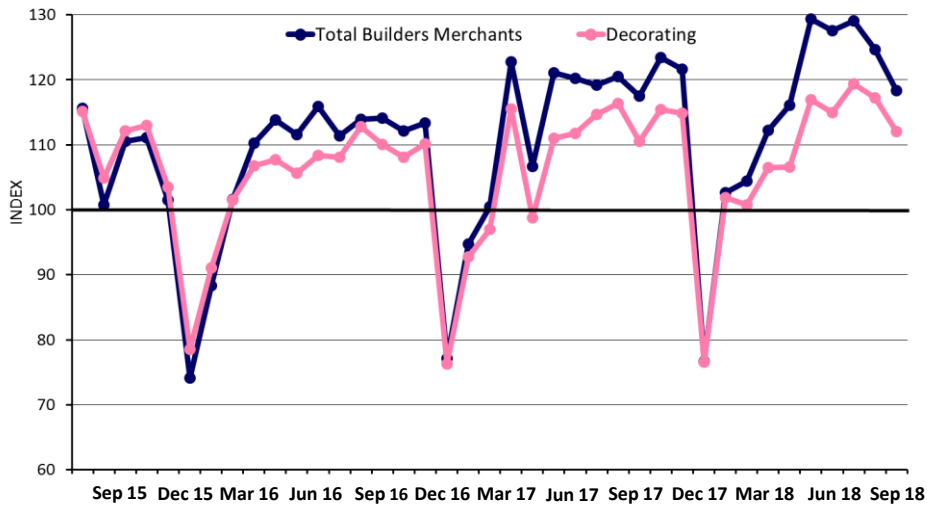
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Total Category Report  
July 2015 to September 2018



# Monthly and Quarterly Indices

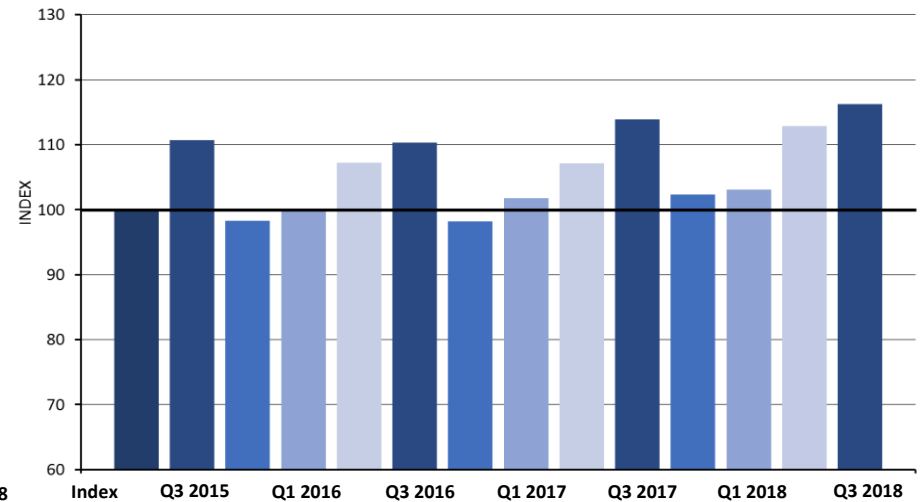
## September 2018 and Q3 2018

### Decorating



Monthly chart indexed on July 2014 – June 2015

### Decorating - Quarterly

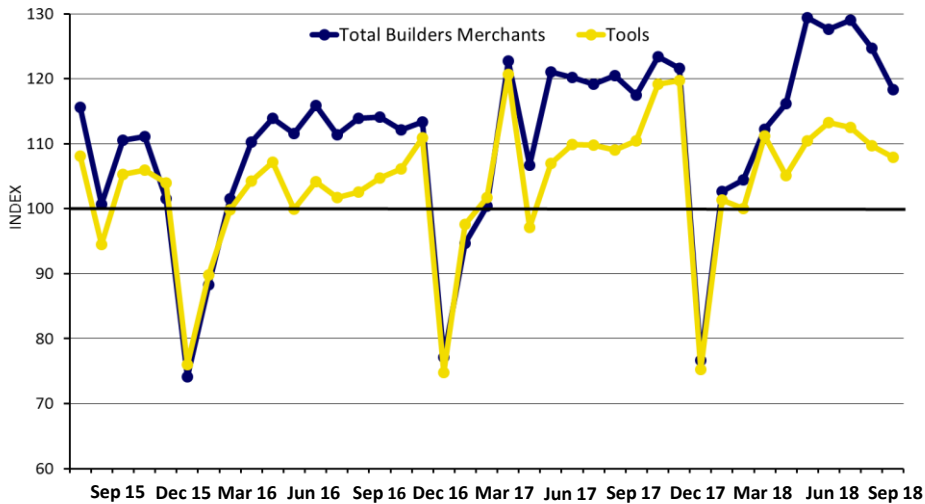


Quarterly chart indexed on July 2014 – June 2015

# Monthly and Quarterly Indices

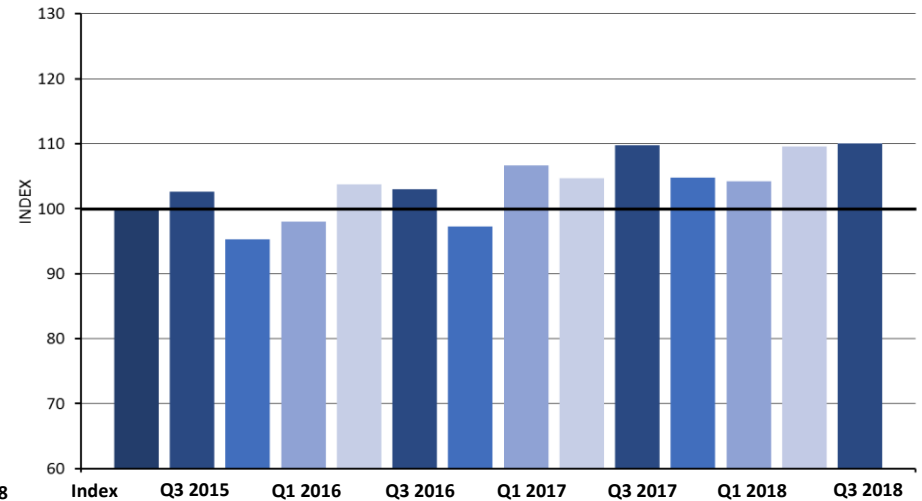
## September 2018 and Q3 2018

### Tools



Monthly chart indexed on July 2014 – June 2015

### Tools - Quarterly

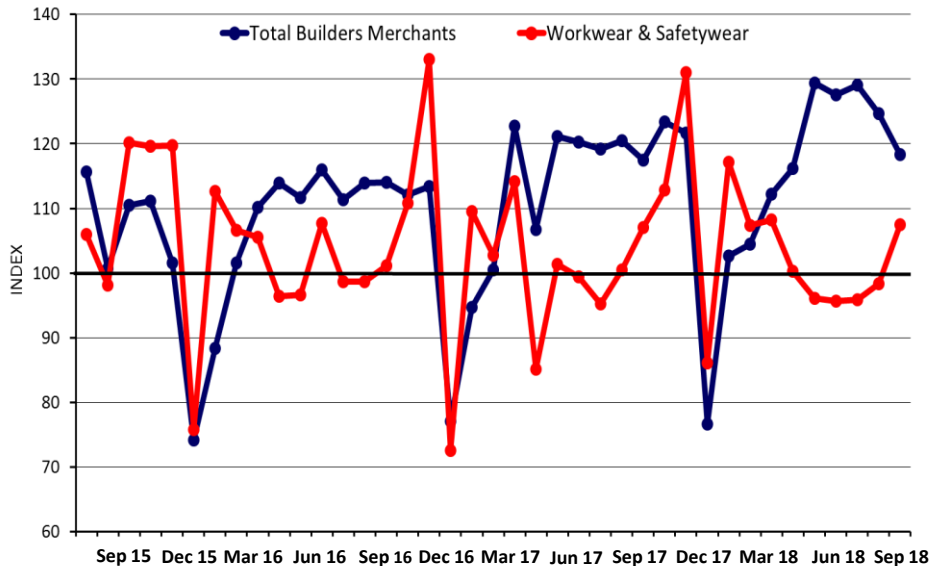


Quarterly chart indexed on July 2014 – June 2015

# Monthly and Quarterly Indices

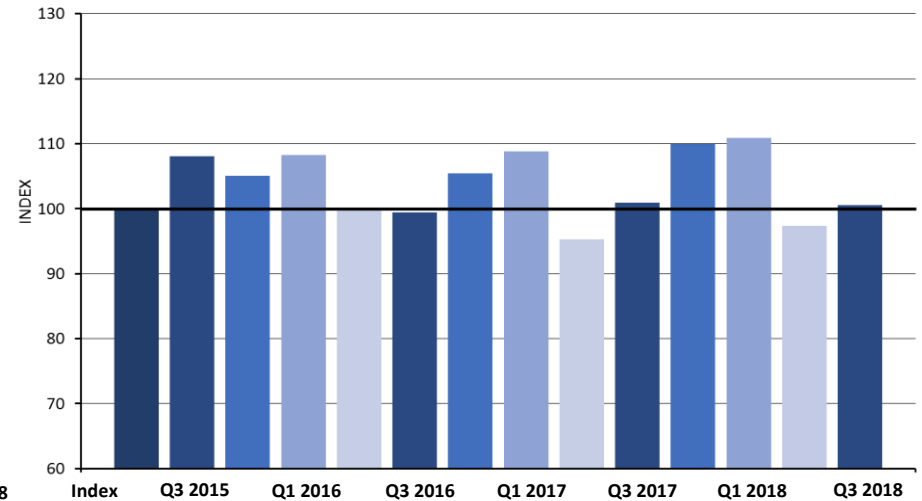
## September 2018 and Q3 2018

### Workwear & Safetywear



Monthly chart indexed on July 2014 – June 2015

### Workwear & Safetywear - Quarterly

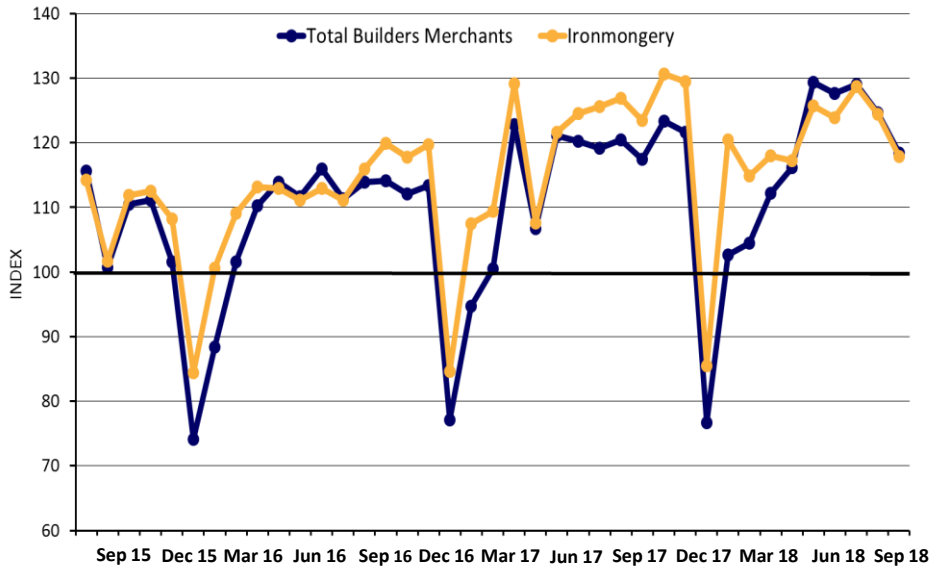


Quarterly chart indexed on July 2014 – June 2015

# Monthly and Quarterly Indices

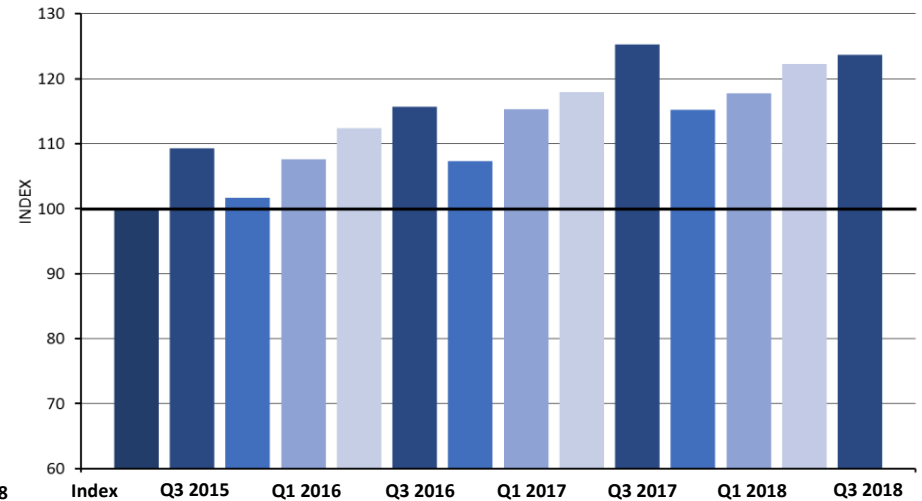
## September 2018 and Q3 2018

### Ironmongery



Monthly chart indexed on July 2014 – June 2015

### Ironmongery - Quarterly

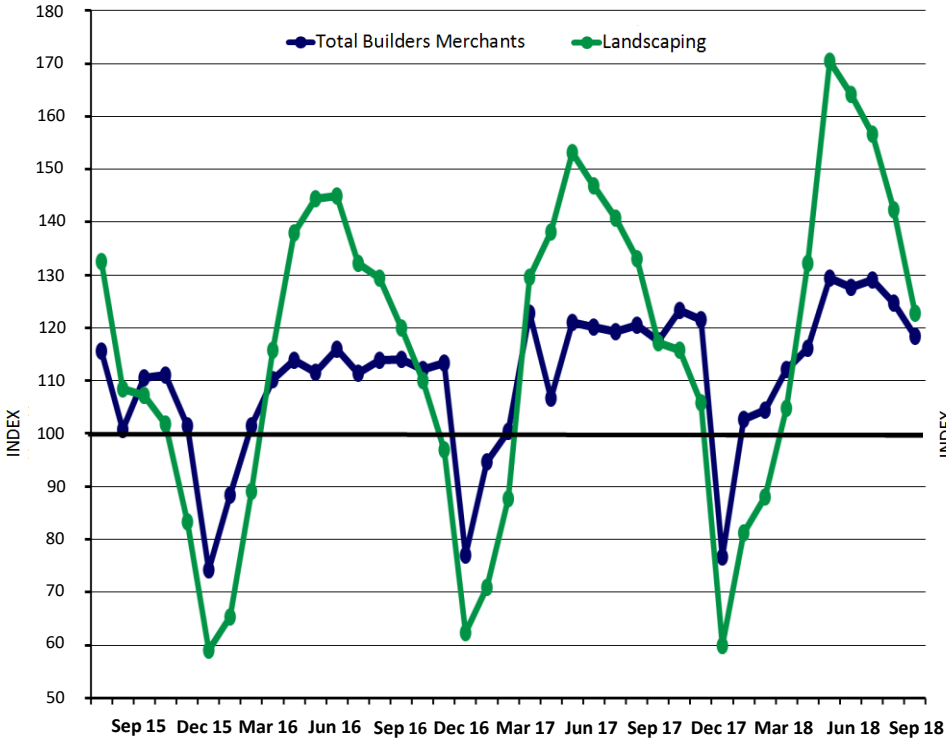


Quarterly chart indexed on July 2014 – June 2015

# Monthly and Quarterly Indices

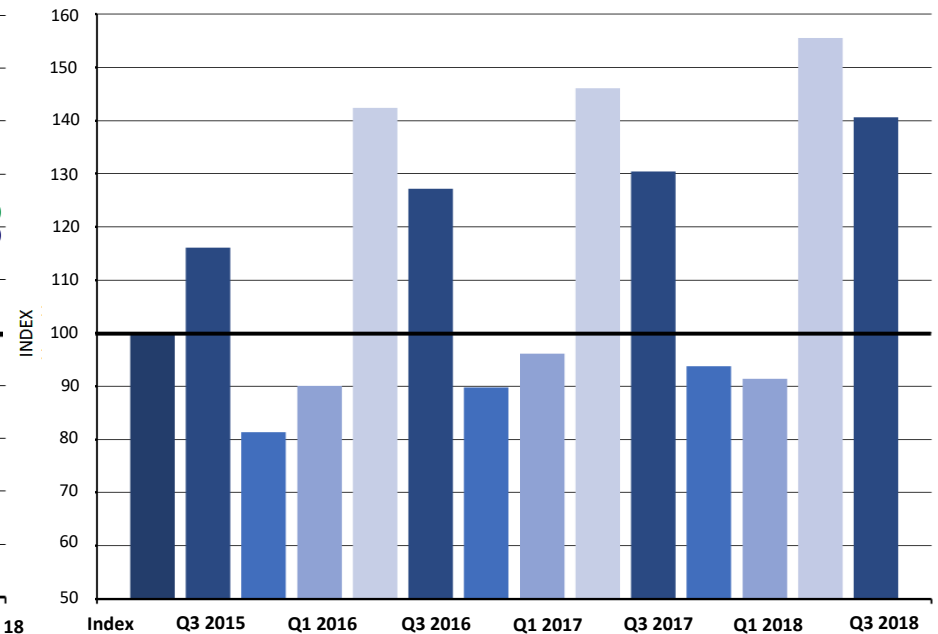
## September 2018 and Q3 2018

### Landscaping



Monthly chart indexed on July 2014 – June 2015

### Landscaping - Quarterly



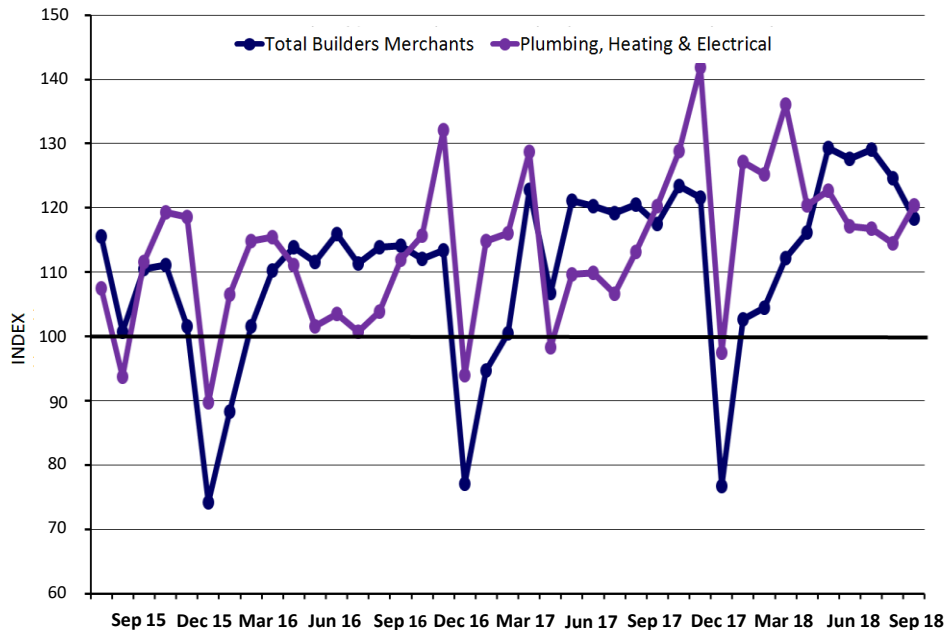
Quarterly chart indexed on July 2014 – June 2015

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

# Monthly and Quarterly Indices

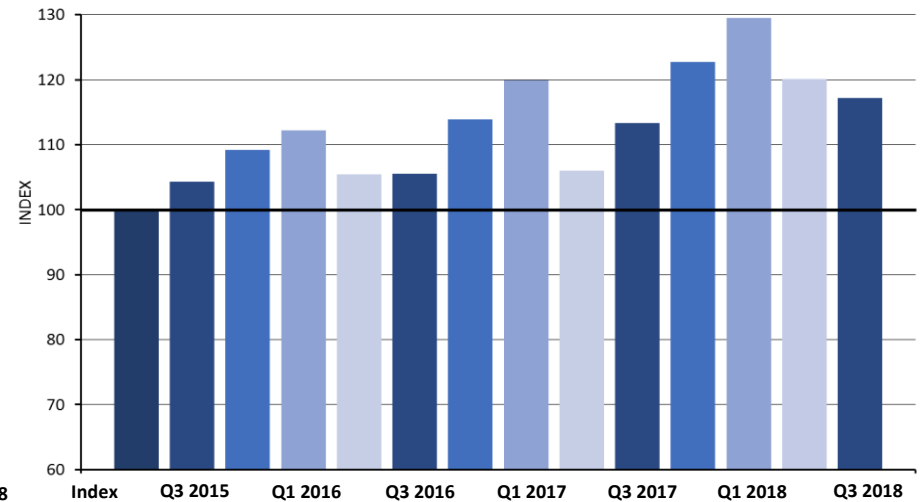
## September 2018 and Q3 2018

### Plumbing, Heating & Electrical



Monthly chart indexed on July 2014 – June 2015

### Plumbing, Heating & Electrical - Quarterly

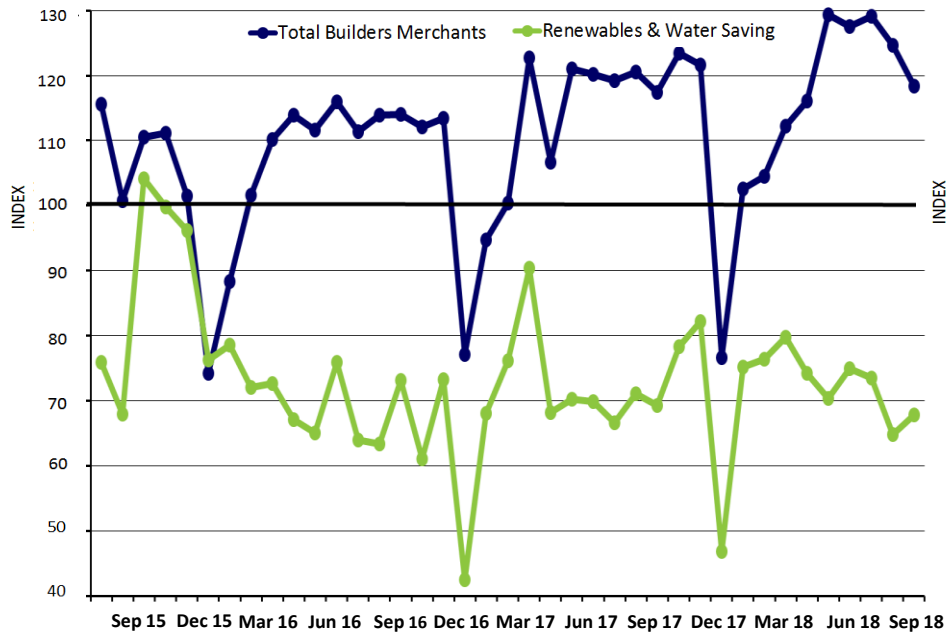


Quarterly chart indexed on July 2014 – June 2015

# Monthly and Quarterly Indices

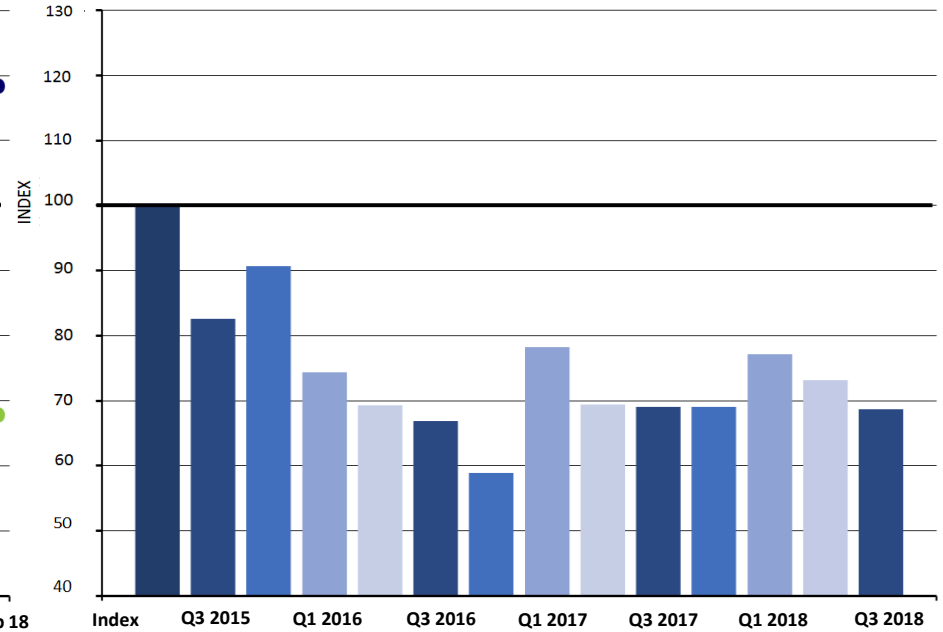
## September 2018 and Q3 2018

### Renewables & Water Saving



Monthly chart indexed on July 2014 – June 2015

### Renewables & Water Saving - Quarterly

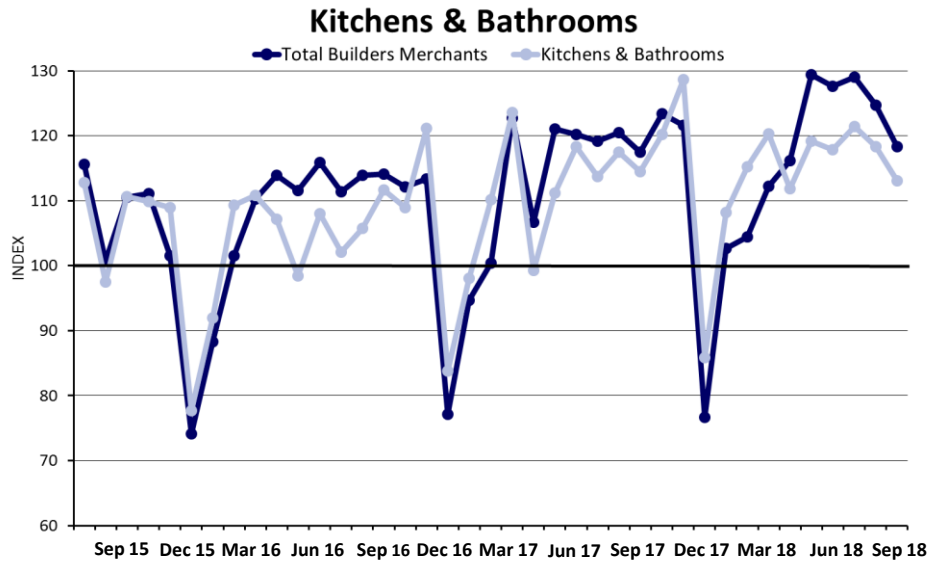


Quarterly chart indexed on July 2014 – June 2015

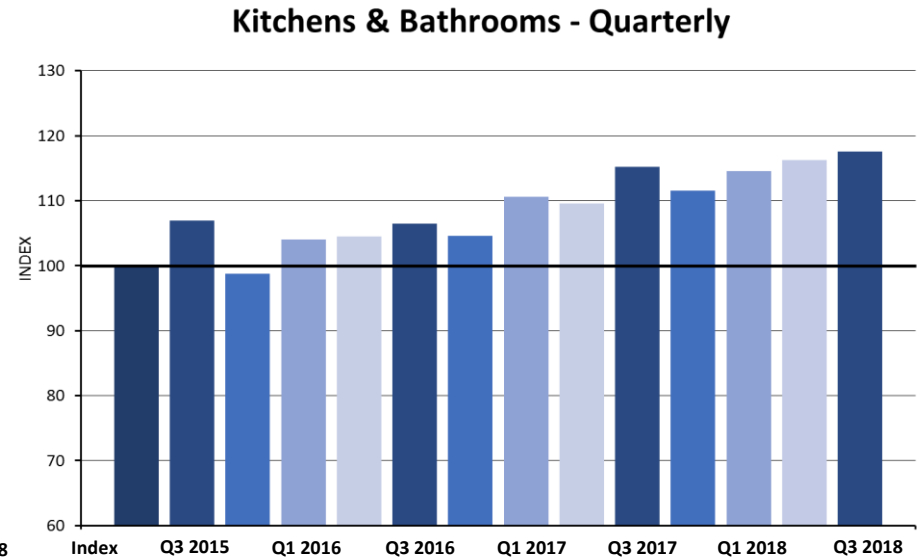
 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to September 2018

# Monthly and Quarterly Indices

## September 2018 and Q3 2018



Monthly chart indexed on July 2014 – June 2015



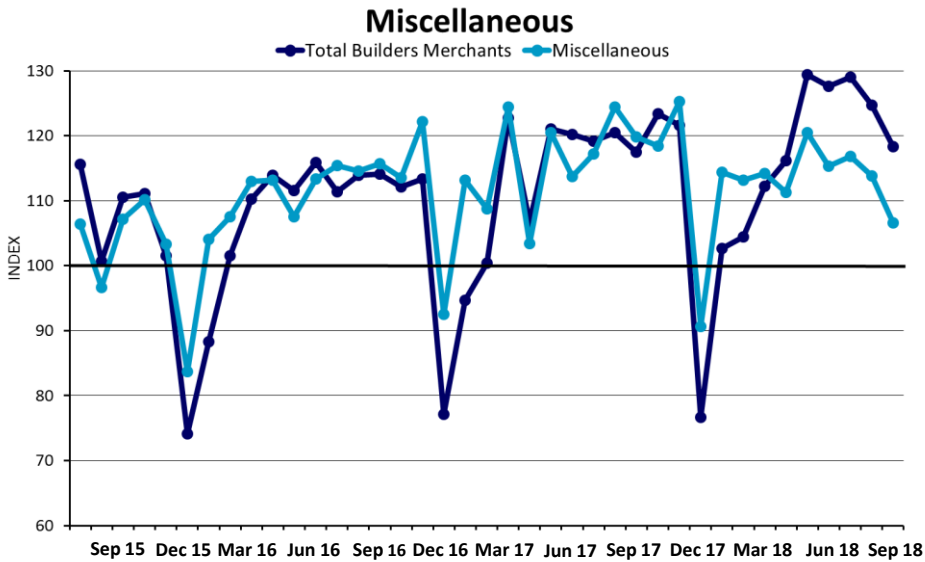
Quarterly chart indexed on July 2014 – June 2015

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

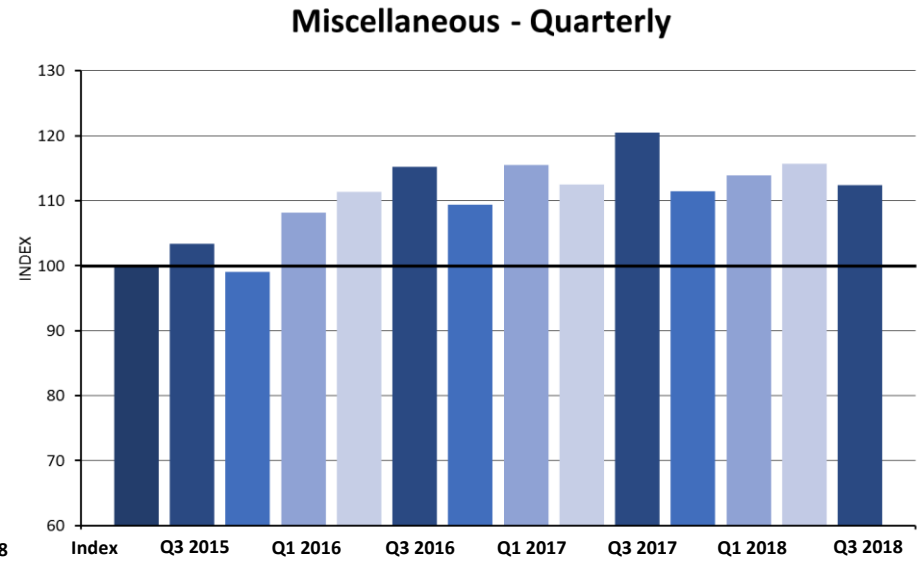


# Monthly and Quarterly Indices

## September 2018 and Q3 2018



Monthly chart indexed on July 2014 – June 2015

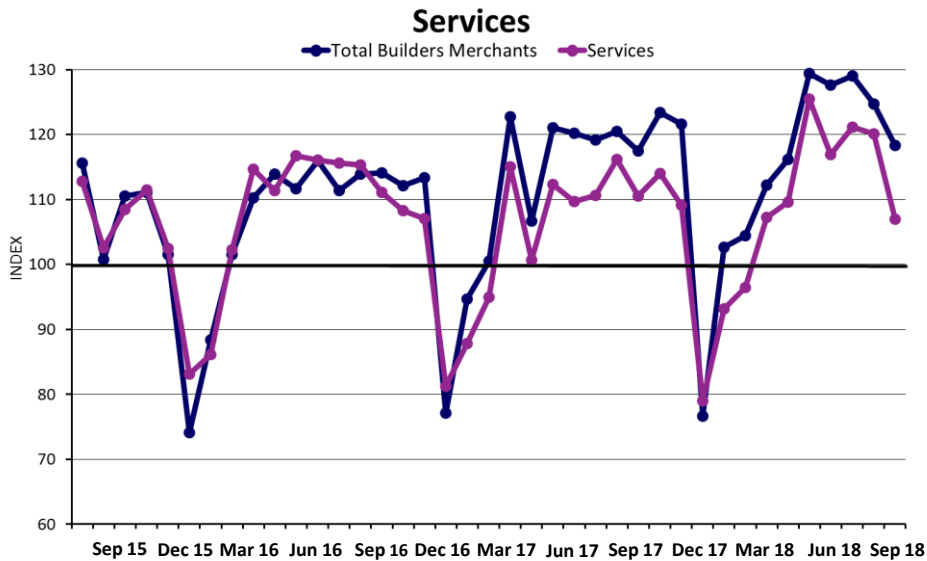


Quarterly chart indexed on July 2014 – June 2015

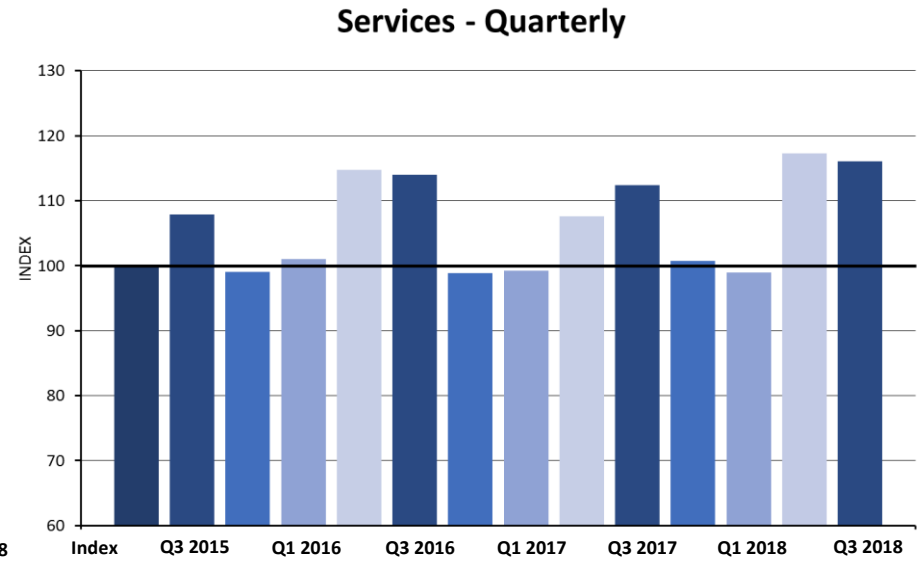
**GfK** Source: GfK's  
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July 2015 to September 2018

# Monthly and Quarterly Indices

## September 2018 and Q3 2018



Monthly chart indexed on July 2014 – June 2015



Quarterly chart indexed on July 2014 – June 2015

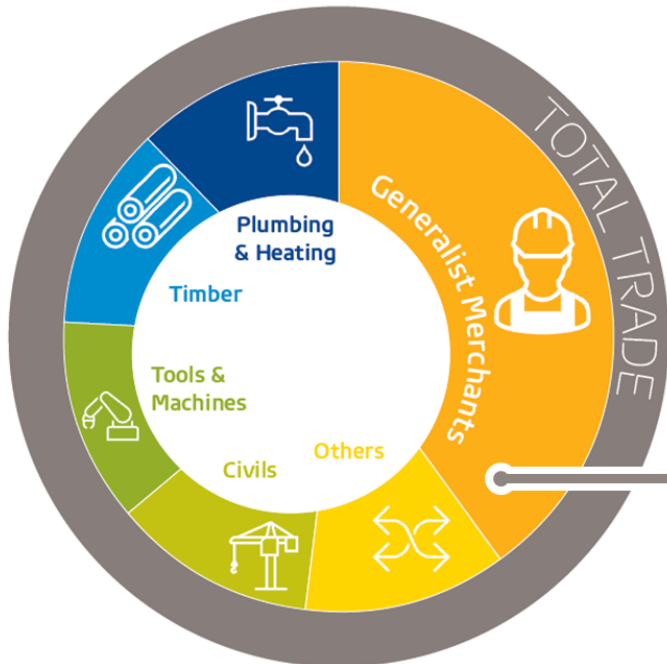
 Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to September 2018

# GfK's Panel

## Generalist Builders Merchant Panel (GBM's)



### The Multiple Generalist Builders Merchants Channel



#### Generalist Builders Merchants

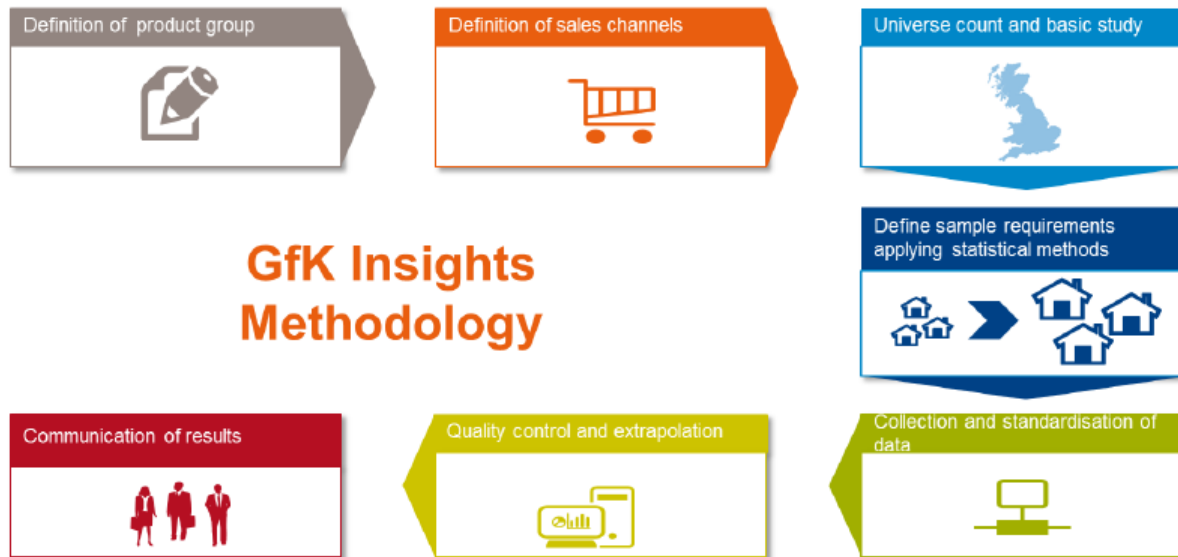
Builder Merchants handle an extended range of building materials and components (e.g. doors, windows, interior furnishing materials, insulation materials, tiles, cement, mortar, adhesives, sealants, nails, hardware products, pipes, ironware, paint) and generate their turnover with professional end users.

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

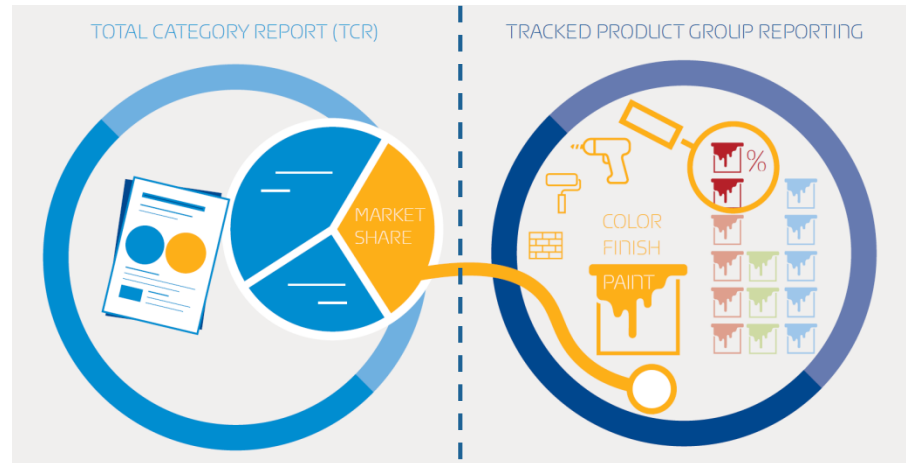
Bathroom (Including Showering)  
Fitted Kitchens  
Major Appliances

### 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

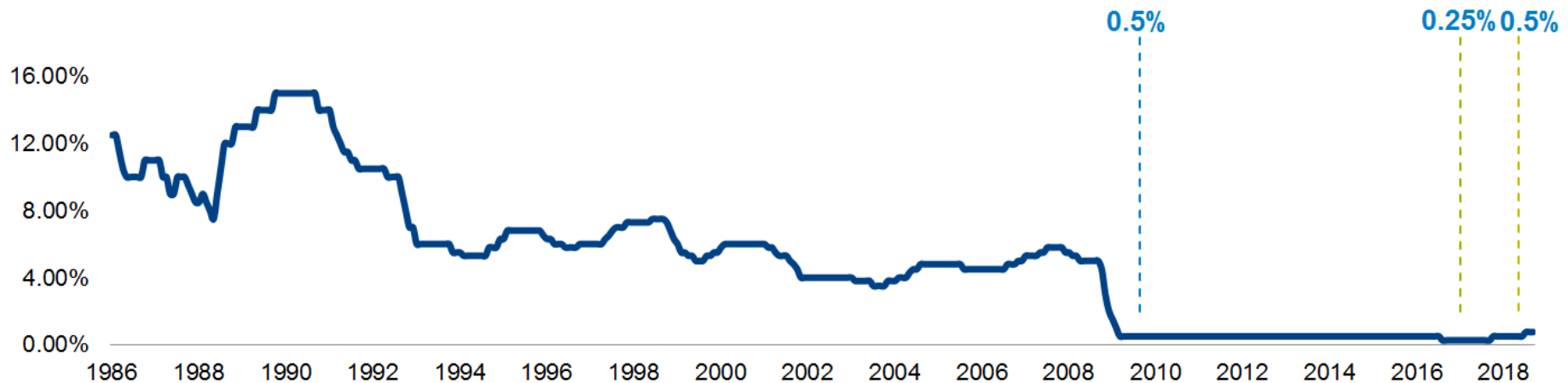
Set monthly by the MPC (Monetary Policy Committee)

▪ 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 4<sup>th</sup> August 2016, the Bank of England reduced the base rate from the previous historic low of 0.5% to a record-breaking 0.25%

▪ 13<sup>th</sup> September 2018 the Bank of England Monetary Policy Committee voted 9:0 to maintain the Bank Rate at 0.75%



Source: Bank of England

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# Macro factors impacting Merchants

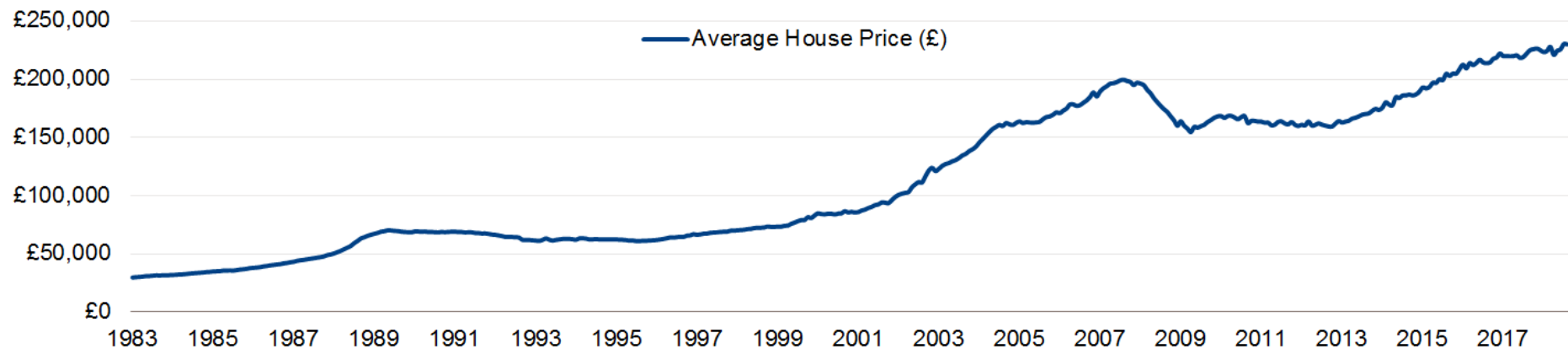


## Standardised average house prices

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 August 2018, the average house price in the UK fell to £229,958 from £230,280 in June 2018.



Source: Halifax House Price Index

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# Macro factors impacting Merchants



## Property transactions

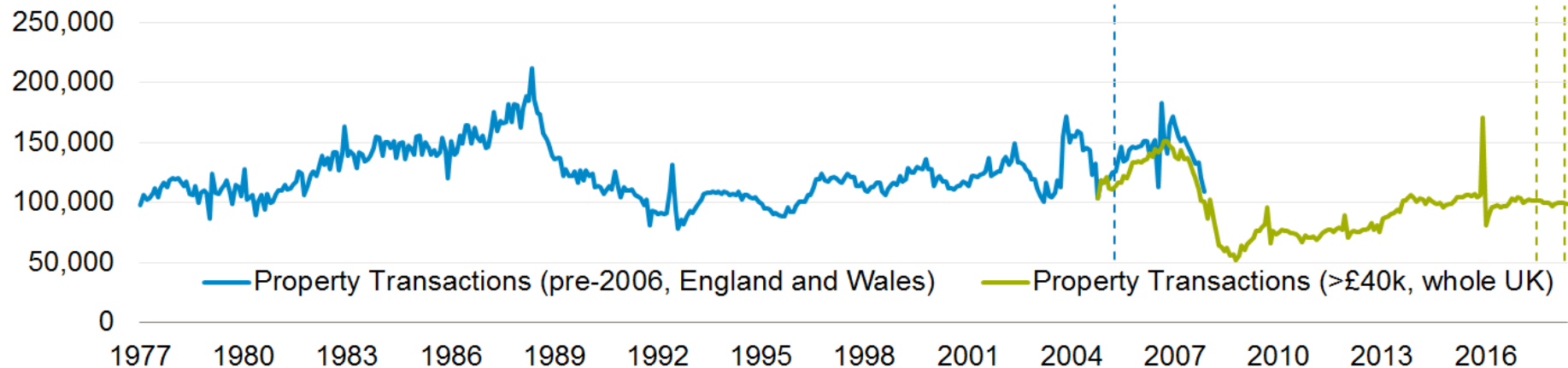
Monthly transactions, residential, seasonally adjusted

### Annual total

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 dropped 0.3% in August 2018 compared to the previous month.



Source: HM Revenue & Customs

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# Macro factors impacting Merchants



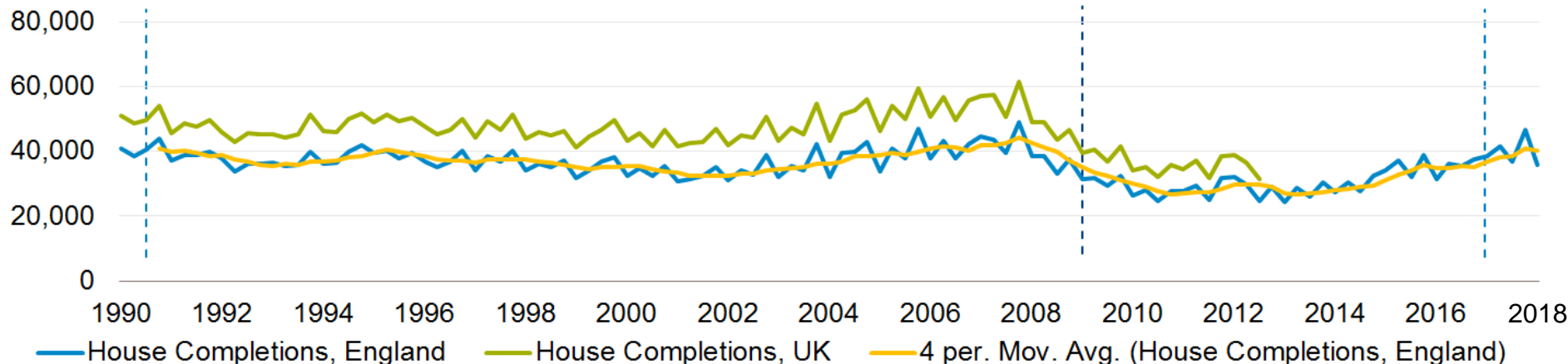
## New house builds

### 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 Q1 2018, 35,730 permanent dwellings were completed, compared to Q4 2017 figures of 46,710 (-23.5%)



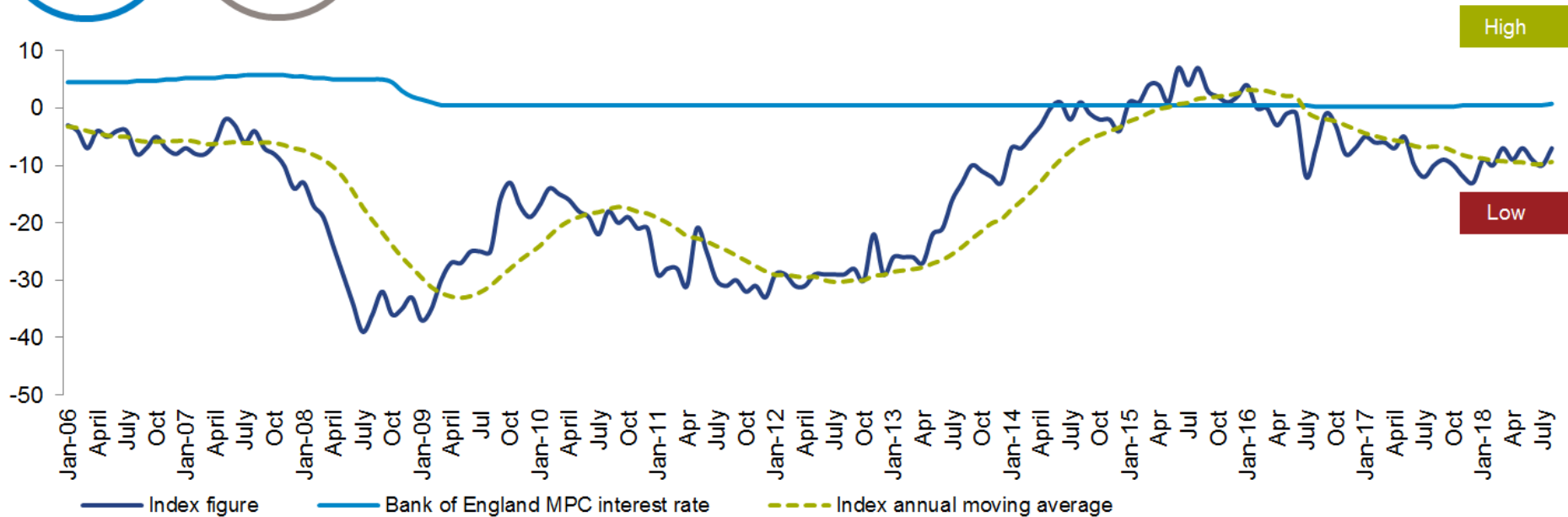
Source: GOV.UK

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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

For further information



**Richard Frankcom**

Key Account Director

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

+44 (0) 20 7890 9543



**Nyssa Patel**

BMF Member Services Director

[nyssa.patel@bmf.org.uk](mailto:nyssa.patel@bmf.org.uk)

+44 (0) 24 7685 4994



**Lucia Di Stazio**

Managing Director

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

+44 (0) 1453 521621



**Tom Rigby**

Business Development Manager

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

+44 (0) 7392 081276