

“building **excellence**
in materials supply”

Builders Merchant Building Index



Quarter 4 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.

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

Total Builders Merchants fourth quarter sales were a respectable 3.1% higher than in Q4 2017 but look closer and things were less encouraging. The quarter started well, with October sales up 6.8% year-on-year. However November only grew by 0.8% and, as this latest report shows, December was only 1.0% higher than December 2017. Factor in inflation and volumes will have been lower.

The economy is losing momentum, with 2018 growing at its slowest annual rate for six years (ONS). Contributory factors were lower factory output, car production and weaker construction. NHBC new home registrations in 2018 were broadly flat, whilst numbers moving house have fallen. Fewer movers impacts on RMI, with a consequent fall in replacement kitchens, bathrooms, windows, re-decoration and refurbishment work.

The elephant in the room is, of course, Brexit. Nearly two years after Article 50 was triggered and a little over a month to go before the UK's departure date we remain in a state of limbo. It's hardly surprising that investment by businesses and homeowners has slowed.

Quarter 4

Timber & Joinery Products had a strong fourth quarter, finishing 6.1% ahead of Q4 2017. Landscaping (+5.2%), Plumbing Heating & Electrical (+4.4%) and Decorating (+4.1%) also out-performed merchants generally. Seven categories did less well, including Heavy Building Materials (1.9%) and Kitchens & Bathrooms (-0.9%).

Quarter 4 sales are generally lower than Quarter 3 and Total Builders Merchants average daily sales were down 4.9%. However two categories strongly bucked the trend, with Workwear & Safetywear up 17.7% and seasonal category Plumbing Heating & Electrical 16.6% higher. The fourth quarter Builders Merchant Building Index was 110.6. Plumbing Heating & Electrical did best (128.1) and ten of the twelve categories exceeded 100.

Last 12 months

Total sales in 2018 were 3.8% higher than in 2017. Four categories did better, led by Plumbing Heating & Electrical (+7.1%), with Timber & Joinery Products (+7.0%) just behind. Six categories grew more slowly, including Kitchens & Bathrooms (+2.7%) and Heavy Building Materials (+2.5%).

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Merchants' View

John Newcomb, CEO BMF



As the deadline for the UK to leave the EU draws ever closer, the uncertainty that surrounds the terms of our departure – in particular, the terms relating to how the UK will trade with Europe post-Brexit – is not helping the construction sector. As you will read in this report, the year ended on a subdued note for builders' merchants' sales, but what is happening in the wider construction world?

The latest Government figures for the end of last year confirmed construction output overall fell by 0.3% in the fourth quarter. Other key indicators show the loss of momentum is more profound in some sectors than others. The Construction Products Association (CPA) found main building contractors, specialist contractors and civil engineering contractors all reporting lower output, new orders and enquiries in Q4, with reduced activity in sectors such as high-end residential, commercial offices and industrial factories. Conversely 25% of SME builders reported an increase in workloads.

The Federation of Master Builders' (FMB) Q4 State of Trade Survey confirmed that workloads, enquiries and employment amongst SME construction firms remained in positive territory. Set against that, nearly two-thirds of SME firms reported difficulties in hiring skilled labour and almost 90% expected material prices to increase in the next six months.

Interestingly, the CPA Construction Trade Survey also found that 55% of heavy side manufacturers and 21% of light side manufacturers reported increased sales in Q4 2018, which may indicate a degree of pre-Brexit stockpiling.

No-one is starting 2019 awash with confidence but there are pockets of optimism. For example, both CPA and FMB report regional variations in activity with areas outside of the South East of England appearing more buoyant. While there is certainly no room for complacency, continued growth within the builders' merchants' core customer base of SME builders is encouraging news – and we will watch with interest to see if this is maintained as we progress beyond Brexit in 2019.

“Continued growth within the builders' merchants' core customer base of SME builders is encouraging news – and we will watch with interest to see if this is maintained as we progress beyond Brexit in 2019.”

Monthly: Index and Categories

December 2017* – December 2018

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



MONTHLY SALES VALUE INDEX	2017		2018											
	Index	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Total Builders Merchants	100	76.7	102.6	104.5	112.2	116.1	129.4	127.6	129.1	124.7	118.4	131.8	122.5	77.4
Timber & Joinery Products	100	77.8	108.0	107.6	112.9	115.9	126.7	126.2	131.1	129.3	124.7	137.2	126.8	79.9
Heavy Building Materials	100	75.2	100.5	103.3	110.8	115.9	128.7	128.0	128.8	123.9	117.8	132.4	121.8	75.6
Decorating	100	76.6	101.9	100.8	106.5	106.6	117.0	114.9	119.4	117.2	112.0	124.6	116.1	78.8
Tools	100	75.3	101.3	100.0	111.2	105.1	110.5	113.3	112.5	109.7	108.0	123.2	117.8	73.0
Workwear & Safetywear	100	86.1	117.2	107.3	108.3	100.2	96.0	95.7	95.9	98.3	107.5	123.5	129.5	79.9
Ironmongery	100	85.5	120.4	114.8	118.0	117.3	125.7	123.9	128.8	124.4	117.9	133.6	129.3	84.5
Landscaping	100	60.0	81.3	88.0	104.8	132.1	170.4	164.1	156.6	142.4	122.8	126.0	106.1	64.0
Plumbing, Heating & Electrical	100	97.4	127.2	125.2	136.1	120.4	122.7	117.1	116.8	114.5	120.4	141.1	146.5	96.9
Renewables & Water Saving	100	46.8	75.2	76.3	79.8	74.2	70.4	75.0	73.5	64.8	67.8	76.4	68.5	45.8
Kitchens & Bathrooms	100	85.9	108.2	115.2	120.3	111.9	119.2	117.8	121.4	118.4	113.0	122.5	128.2	81.2
Miscellaneous	100	90.7	114.4	113.2	114.2	111.3	120.5	115.3	116.8	113.9	106.6	126.3	119.1	85.1
Services	100	79.0	93.1	96.4	107.3	109.6	125.4	116.9	121.1	120.1	106.9	125.1	114.2	79.9

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

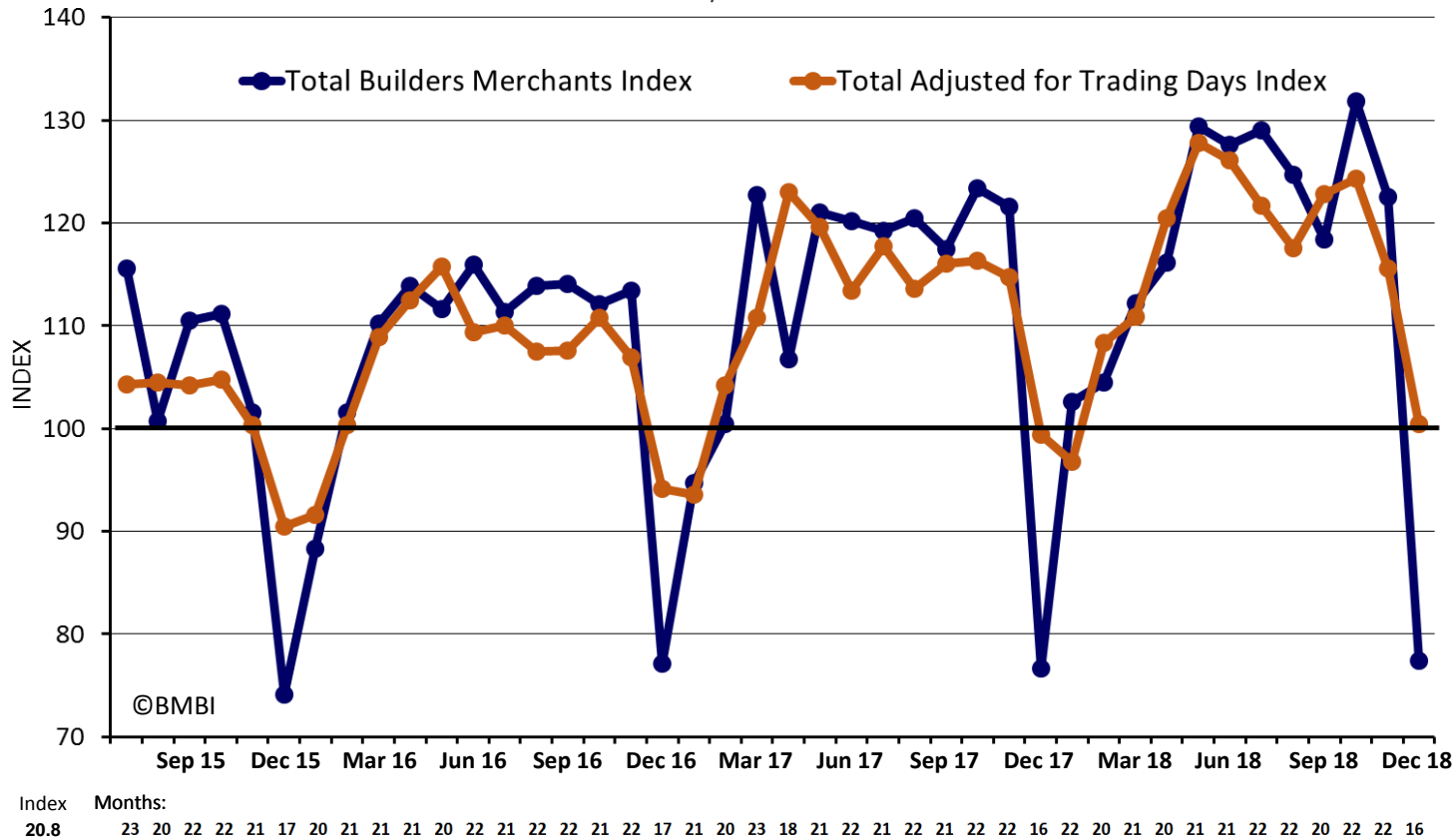
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2018

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



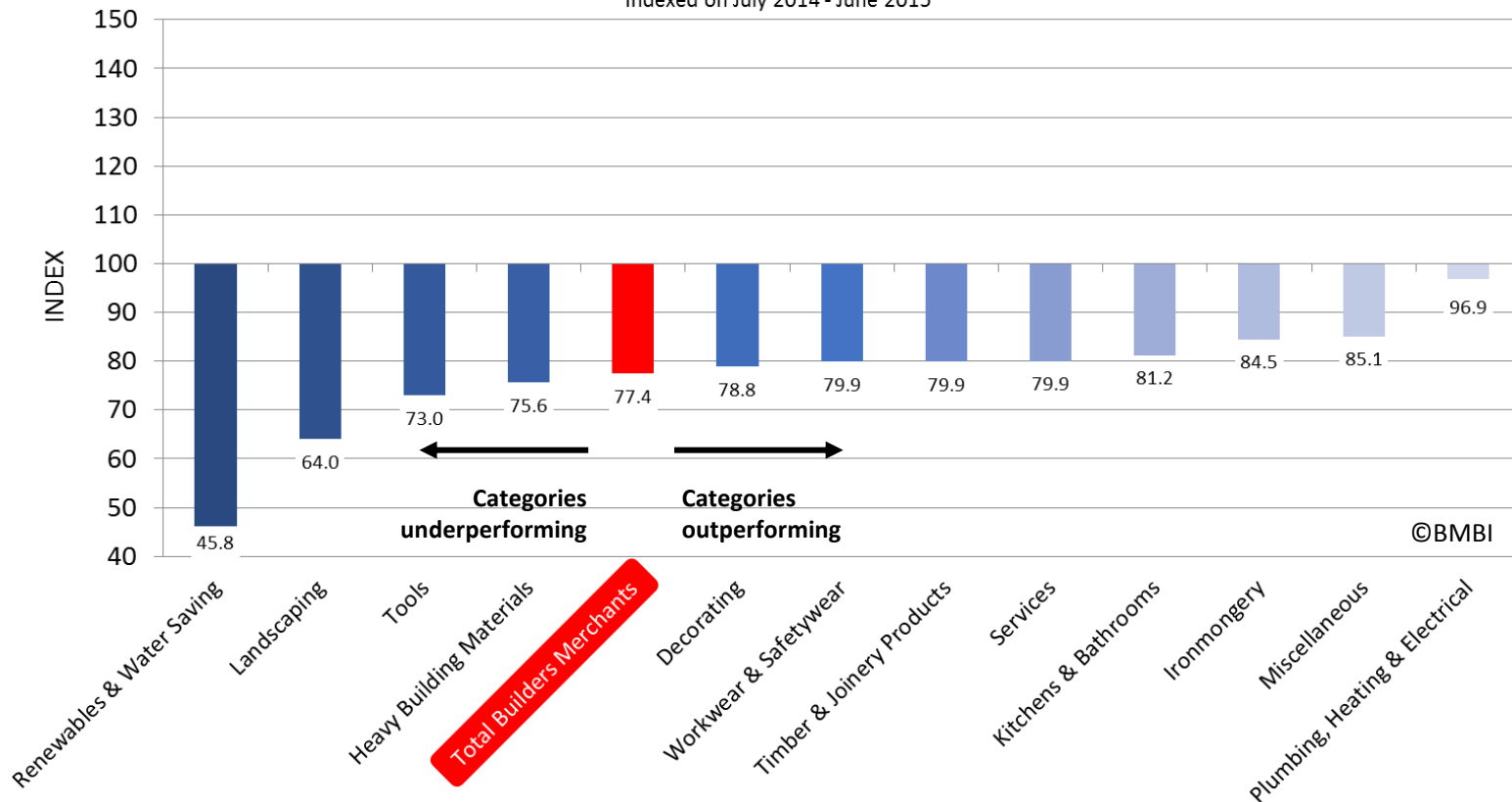
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2018

Monthly: Index and Categories

December 2018 index

December 2018

Indexed on July 2014 - June 2015

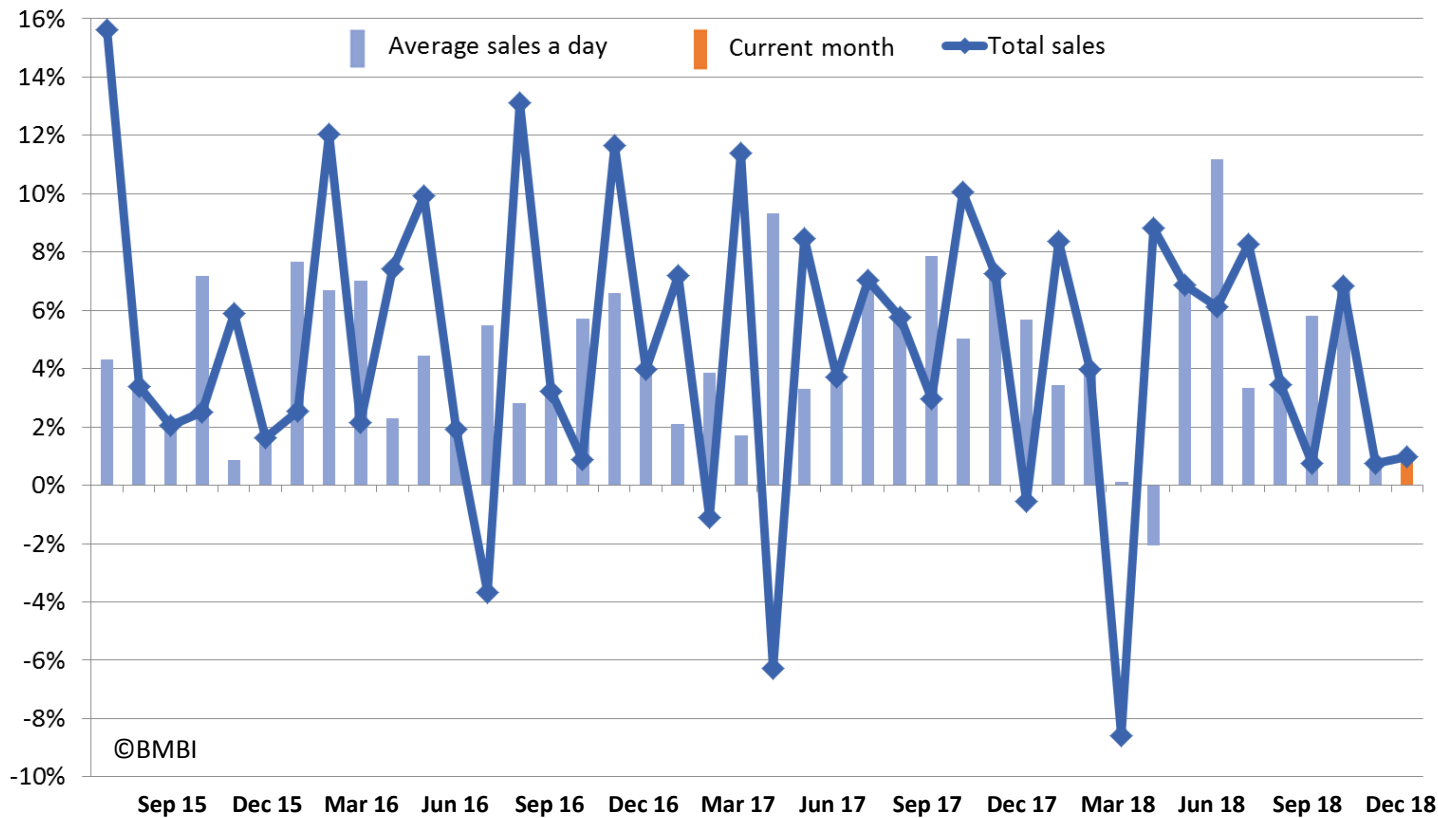


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2018

Monthly: Sales Indices

Adjusted and unadjusted for trading days

Monthly: Year on Year



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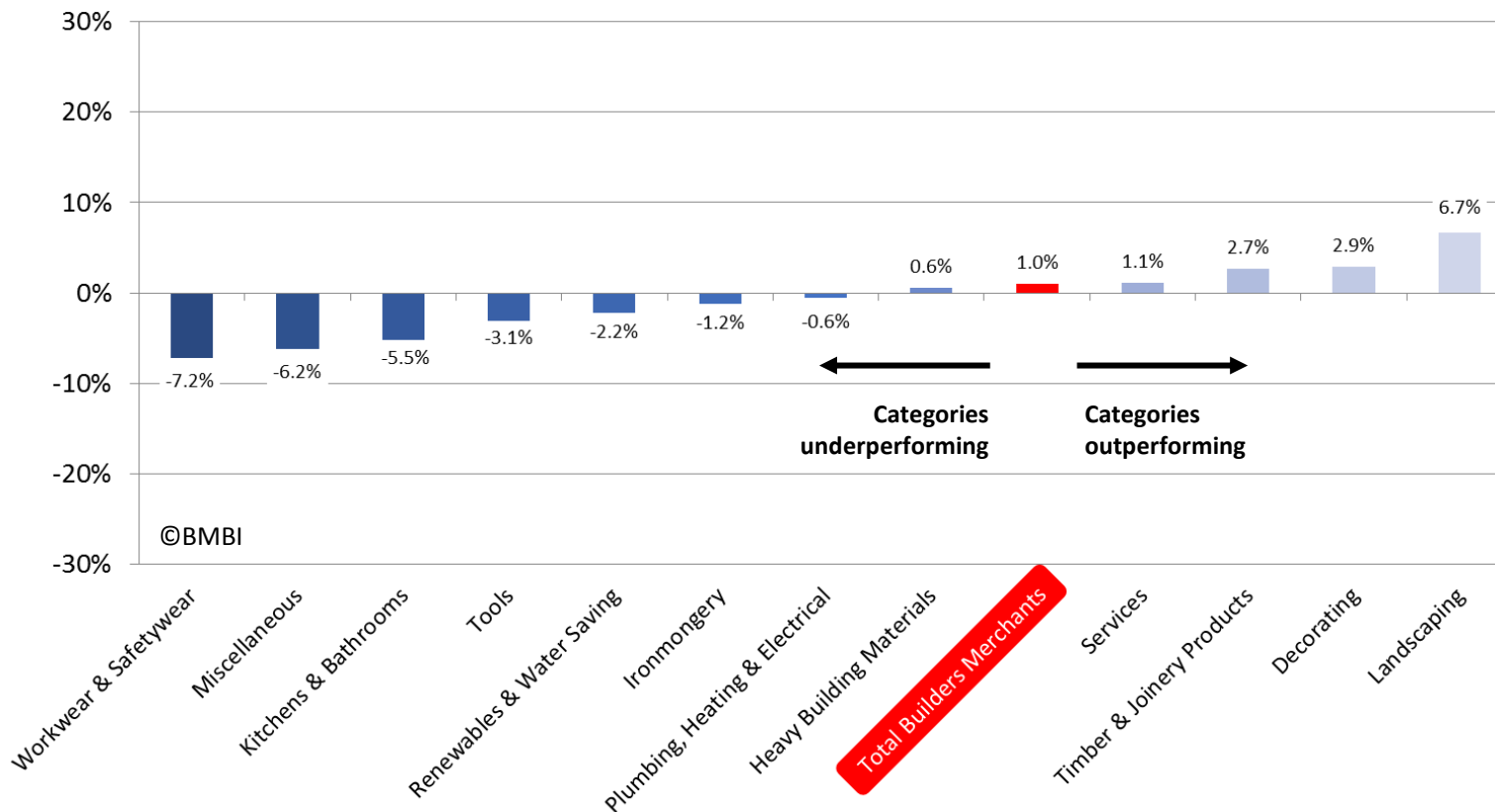
Trading days: Index Months: 20.8 23 20 22 22 21 17 20 21 21 21 20 22 21 22 22 21 22 17 21 20 23 18 21 22 21 22 21 22 22 16 22 20 21 20 21 21 22 22 20 22 22 16

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

Monthly: This year v last year

December 2018 sales indices

December 2018 index v December 2017 index

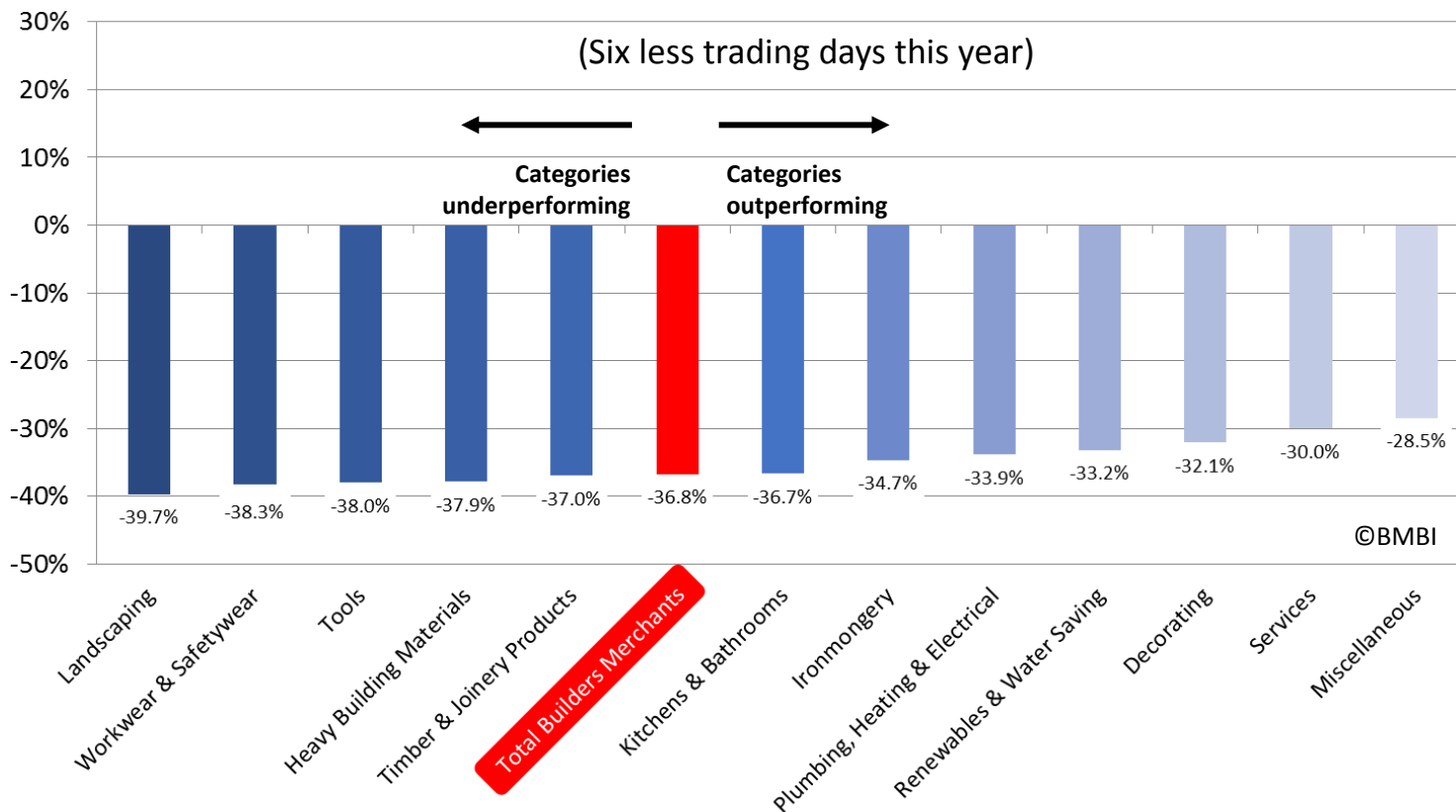


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2018

Monthly: This month v last month

December 2018 sales indices

December 2018 index v November 2018 index

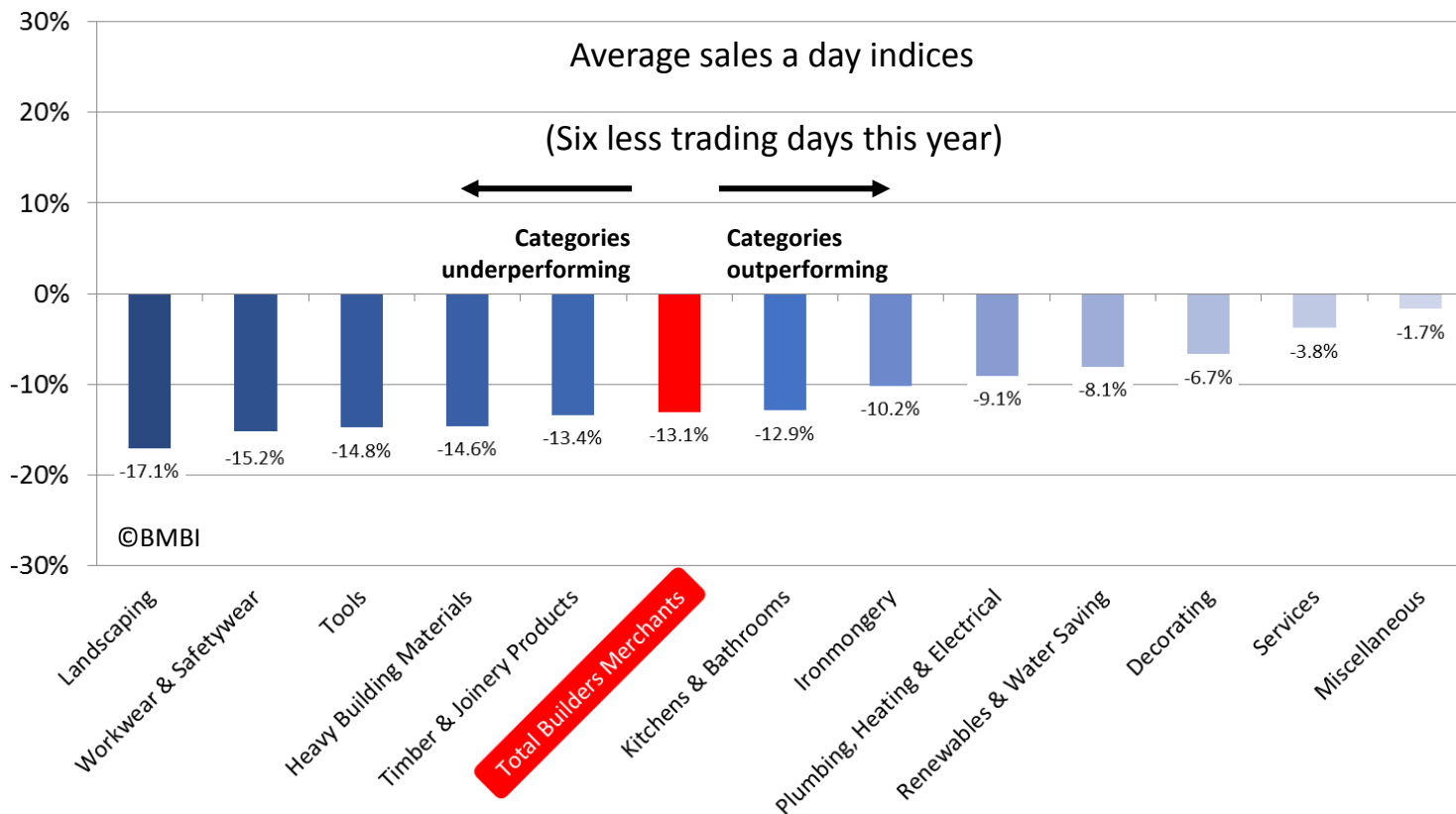


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2018

Monthly: This month v last month

December 2018 average sales a day indices

December 2018 index v November 2018 index



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

Quarterly: Index and Categories

Quarter 4 2017* to Quarter 4 2018

(Indexed on July 2014 to June 2015)



QUARTERLY SALES VALUE INDEX	Index	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Total Builders Merchants	100	107.2	106.4	124.4	124.0	110.6
Timber & Joinery Products	100	108.1	109.5	122.9	128.3	114.7
Heavy Building Materials	100	107.9	104.9	124.2	123.5	109.9
Decorating	100	102.3	103.0	112.8	116.2	106.5
Tools	100	104.7	104.2	109.6	110.1	104.7
Workwear & Safetywear	100	110.0	110.9	97.3	100.6	110.9
Ironmongery	100	115.2	117.8	122.3	123.7	115.8
Landscaping	100	93.8	91.4	155.5	140.6	98.7
Plumbing, Heating & Electrical	100	122.7	129.5	120.1	117.2	128.1
Renewables & Water Saving	100	69.1	77.1	73.2	68.7	63.6
Kitchens & Bathrooms	100	111.6	114.6	116.3	117.6	110.6
Miscellaneous	100	111.4	113.9	115.7	112.4	110.1
Services	100	100.7	98.9	117.3	116.1	106.4

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

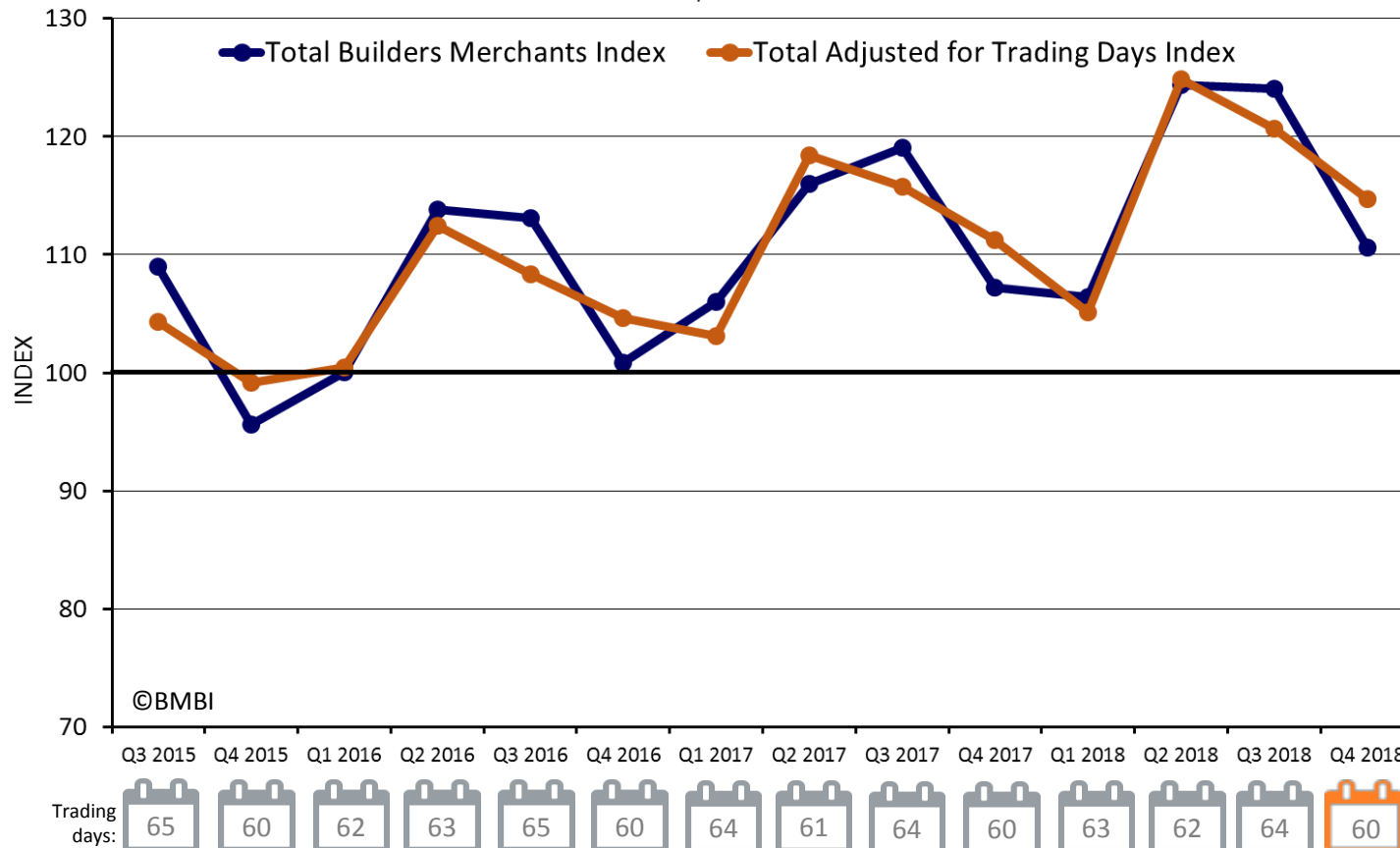
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2018

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



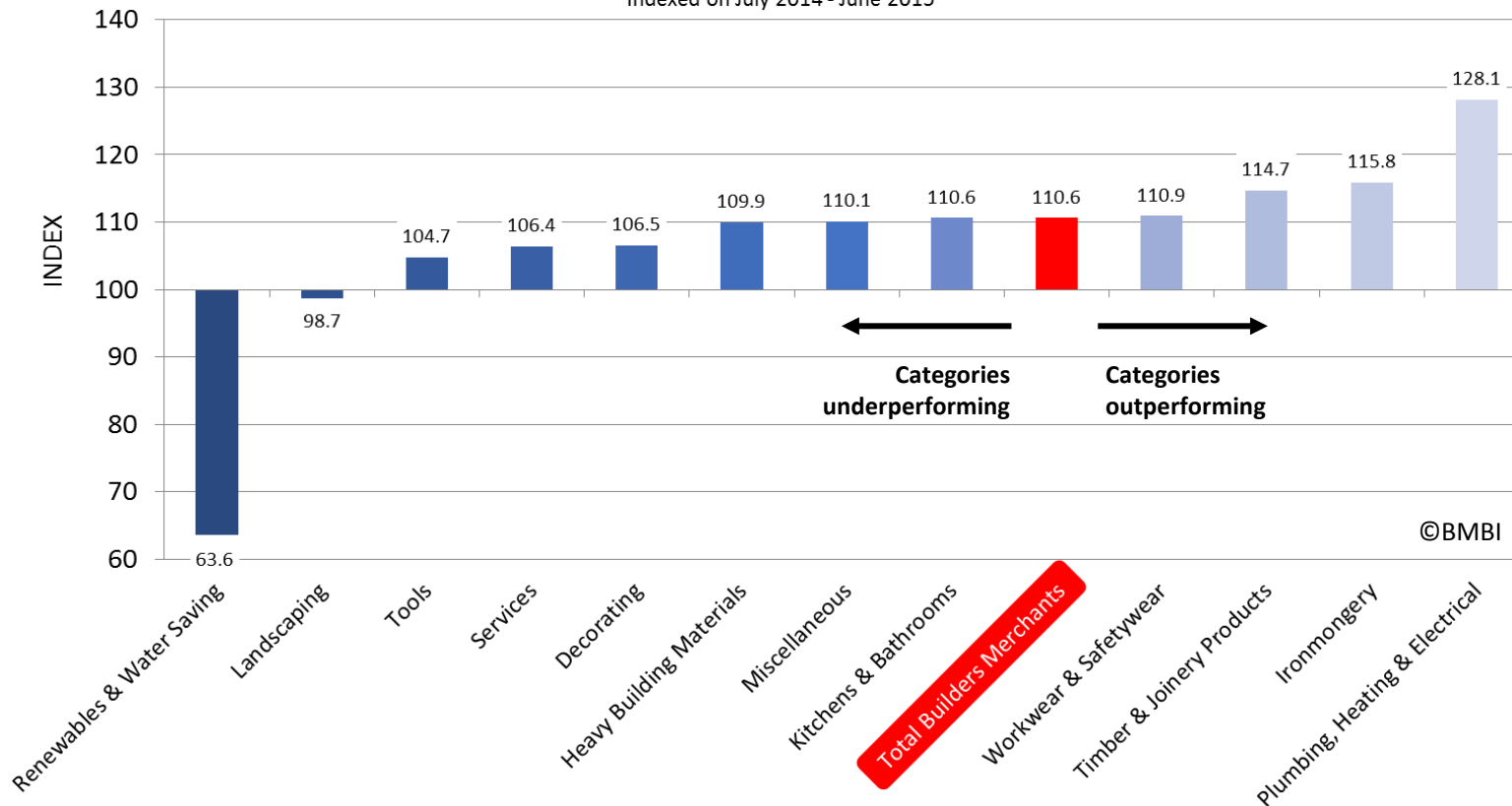
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2018

Quarterly: Index and Categories

Q4 2018 index

Quarter 4 2018

Indexed on July 2014 - June 2015



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

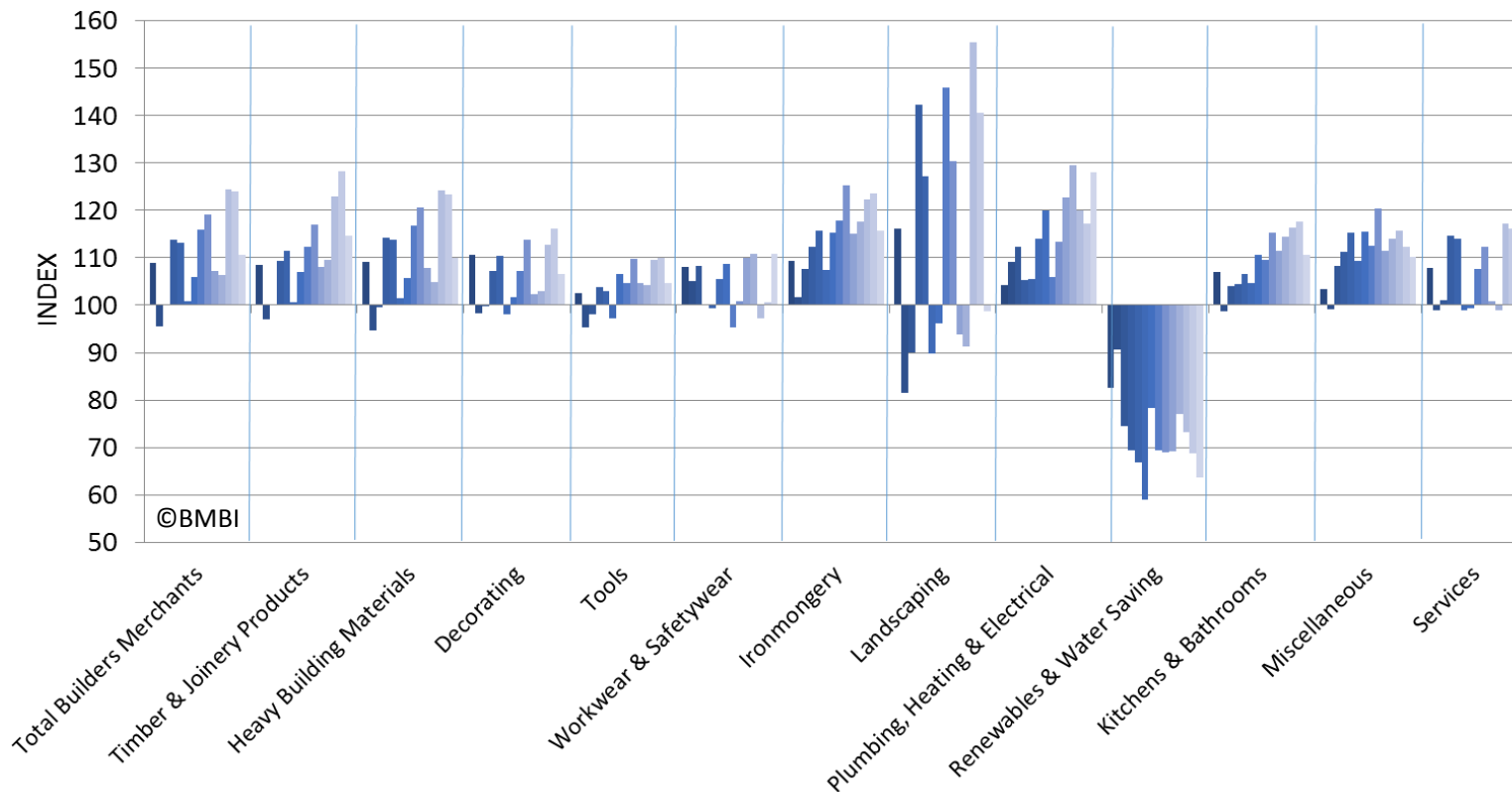
Quarterly: Index and Categories

Quarterly indices

Quarterly Indices

Indexed on July 2014 to June 2015

Chart shows quarterly indices, by category, from Q3 2015 (darkest blue) to Q4 2018 (lightest blue)

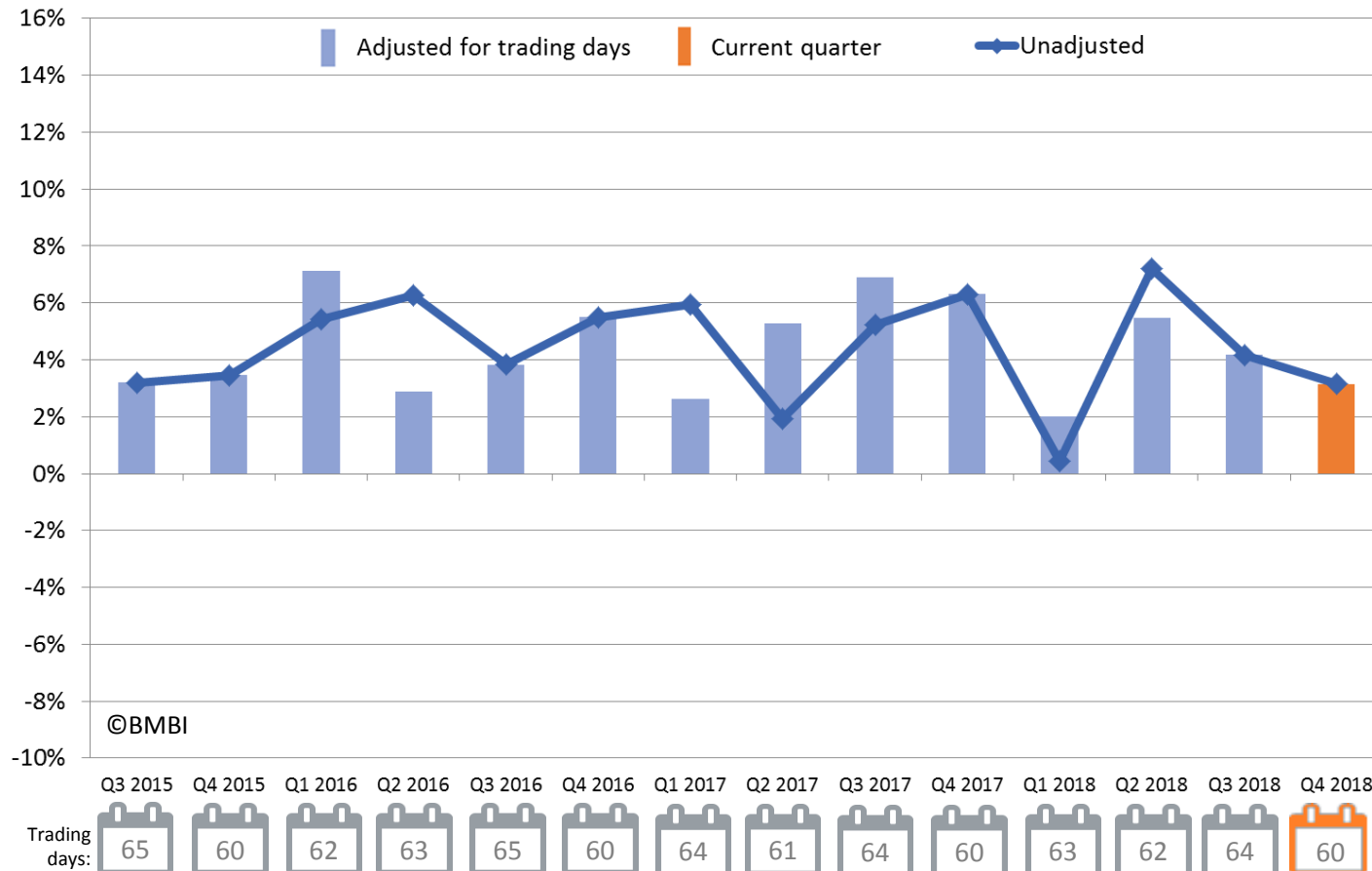


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2018

Quarterly: Sales Indices

Adjusted and unadjusted for trading days

Quarterly Indices: Year on Year

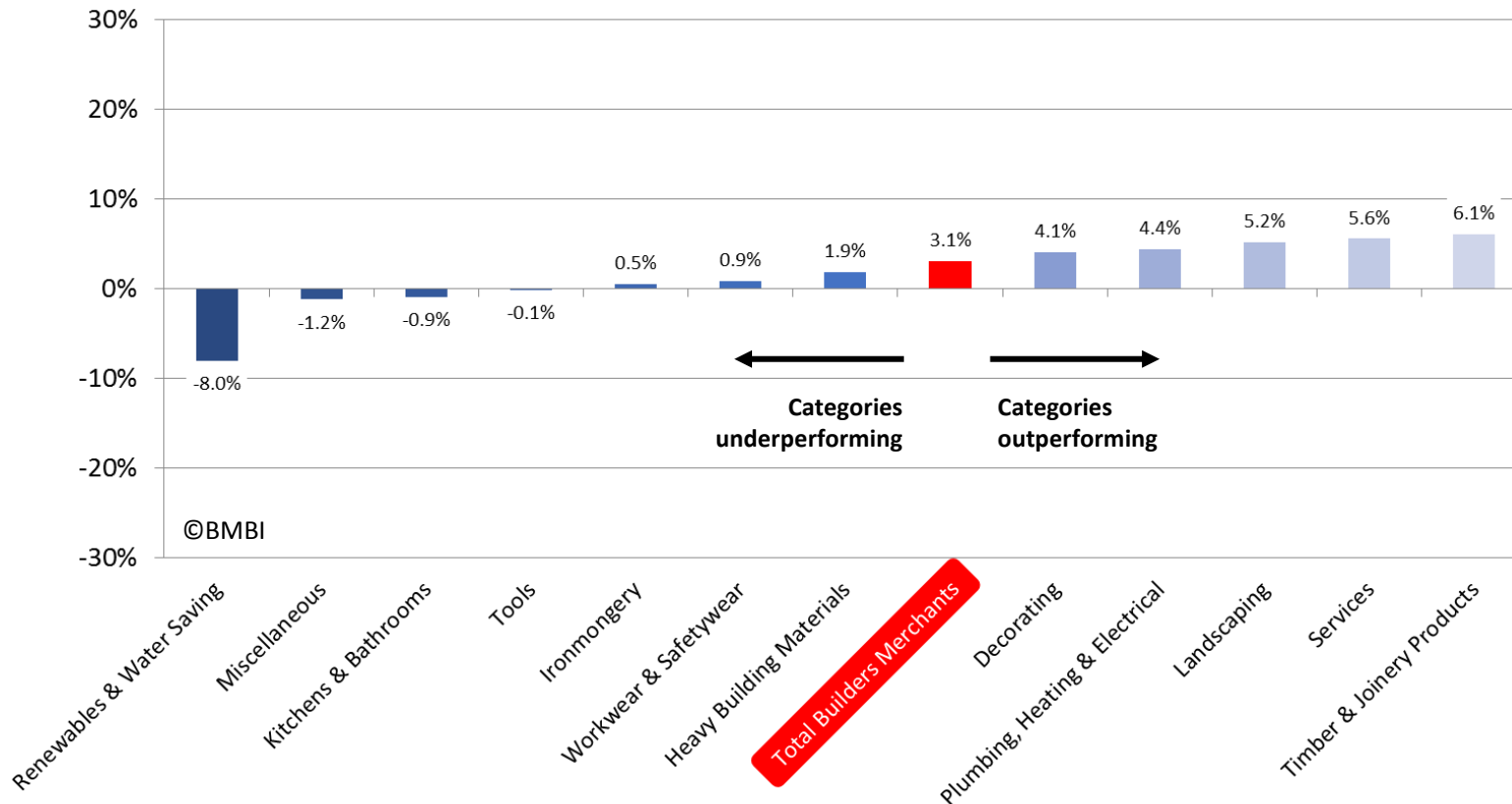


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2018

Quarterly: This Year v Last Year

Q4 2018 sales indices

Quarter 4 2018 index v Quarter 4 2017 index

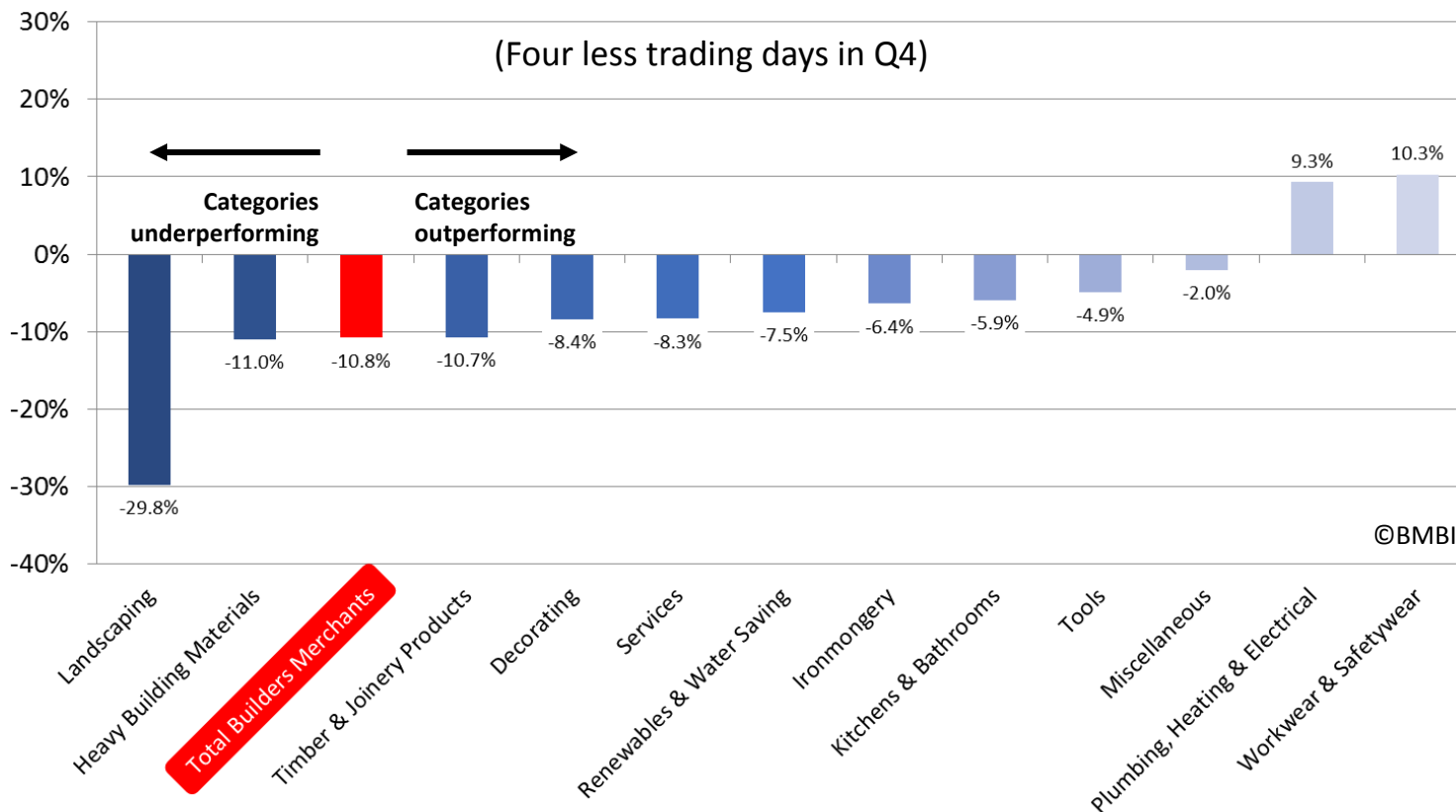


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2018

Quarterly: Quarter on Quarter

Q4 2018 sales indices

Quarter 4 2018 index v Quarter 3 2018 index

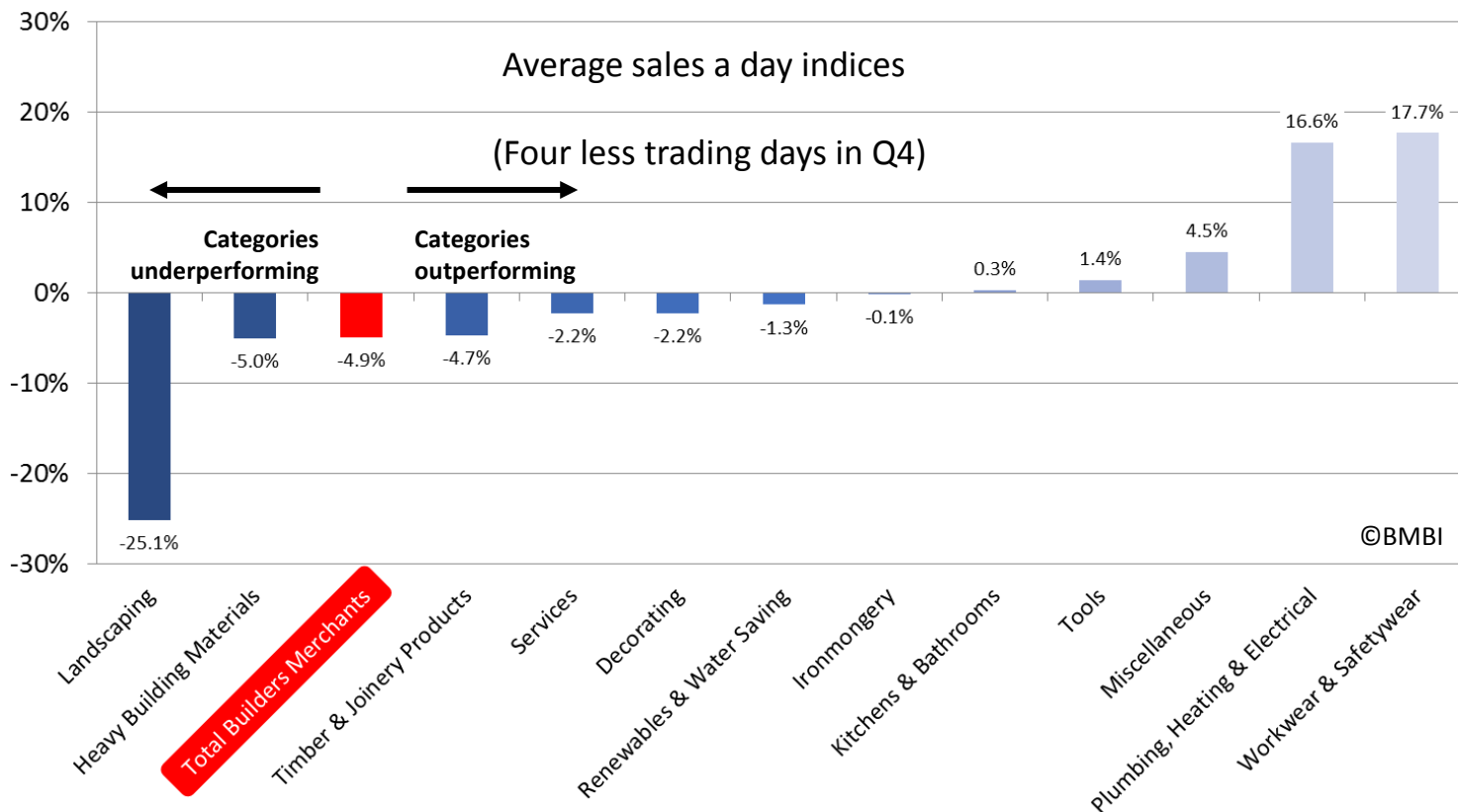


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2018

Quarterly: Quarter on Quarter

Q4 2018 average sales a day indices

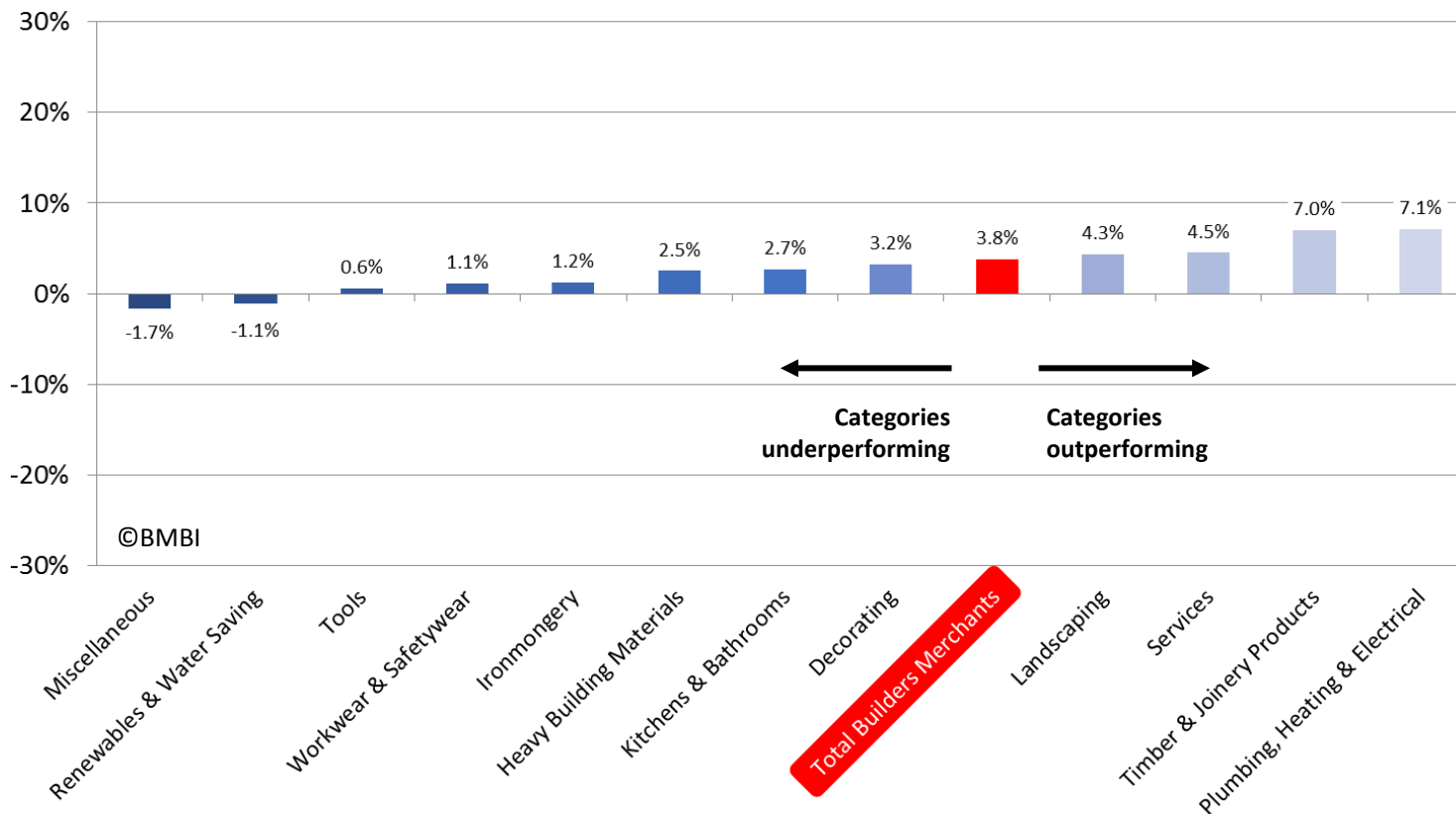
Quarter 4 2018 Index v Quarter 3 2018 Index



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

Last 12 Months: Year on Year

12 months Jan 18 to Dec 18 v 12 months Jan 17 to Dec 17



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

Expert Panel

Shower Enclosures & Showering

(Part of Kitchens & Bathrooms)



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

The BMBI figures tell us that the Kitchens & Bathrooms sector underperformed the total merchant market in the last six months of 2018 but performed better than the total market in the previous 18 months.

They also show broad signs of seasonality over the last three years, with Kitchen & Bathroom sales tracking the total merchant market in the winter and spring, underperforming the market in the summer months, then overtaking the total market in the autumn and peaking in November.

But extreme weather can disrupt these patterns. Last years' winter season was unusually cold, keeping builders and installers indoors which contributed to the Kitchens & Bathrooms category outperforming total builders' merchants' sales from November 2017 to March 2018. The hotter than average summer may have encouraged more homeowners and installers to find reasons to be outside. A small fall in housing transactions in Q2 and Q3 2018 will also have reduced the number of projects.

Long-term trends in the bathroom sector also influence these sales statistics to varying degrees. The pressure on living space in new homes, as housebuilders maximise the number and value of the houses they build on the land available, favours showering spaces instead of baths. Housebuilders also add value with ensuite 'bathrooms' and wet rooms.

The political turmoil and economic uncertainty created by an imminent Brexit is weakening consumer confidence and is probably having the greatest effect on larger improvement projects. There is abundant anecdotal evidence of projects being postponed or just not progressed.

Without a clear voice from Government, it's near impossible to be certain what Brexit we should plan for. However, Lakes has prepared as best we can to supply our stockist partners with the minimum of disruption, whatever form Brexit takes.

In the aftermath to Brexit, the 'Have's, particularly the over 55-year old homeowners who have become the biggest drivers of higher-end home improvement sales, will be relatively unaffected. Even in the most disruptive scenarios, where house prices lose a large part of their value, they remain house-wealthy with their savings and pensions, still keen to improve their lives and properties.

“The pressure on living space in new homes, as housebuilders maximise the number and value of the houses they build on the land available, favours showering spaces instead of baths.”

Expert Panel

Paint

(Part of Decorating)



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

The trade paint market finished with a strong December performance – a year-on-year growth of 1.9% in volume compared to December 2017. We have now seen six months of consecutive year-on-year volume growth in the market, a pattern which we've not seen since 2015. Emulsions played a major part in the paint categories driving this growth. The great summer weather also helped with perfect exterior decorating conditions and both masonry paint and exterior trim categories grew last year. With the second half of the year playing catch up and compensating for extreme weather delays in quarter one, total volumes for 2018 finished flat compared to 2017.

Several economic and housing indicators reflect a weaker market position towards the end of 2018. Consumer confidence fell by one point in December to its lowest point for five years – surely a reflection of the ongoing uncertainty over Brexit. In the housing market, new buyer enquiries fell by 21% in November and mortgage approvals in November were down by 1.7%. These two indicators hugely influence the paint market, as private housing RMI is by far its biggest sector. Fewer people moving home, means fewer people employing decorators to decorate their homes. With 69% of 'paint appliers' working mainly in private homes, this presents some broader challenges for our industry.

BMBI reports decorating as one of the underperforming categories and this has been a constant trend since early 2016. There is a real opportunity though for builders' merchants; small generalist builders are a growing sector and indicators show they are buying more paint. Although there is a decline in confidence and an investment hesitancy that's affecting the construction industry, there is steady value growth. Builders' merchants that have the right products in the right place with staff who understand decorating products can leverage this opportunity, and profit from increased paint sales.

“We have now seen six months of consecutive year-on-year volume growth in the market, a pattern which we've not seen since 2015.”

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 total market for PVC-U windows and doors is slow growing and mature, but it's a relatively young and fast-growing market for merchants who are pushing on an open door, selling windows and doors to builder customers who buy everything else from them. Merchants' enquiries for PVC-U windows, doors and conservatories were up 115% in Q4 2018 compared with Q4 2017. Orders rose nearly 80%. Compared with the previous quarter enquiries were up over 50% and orders by over 22%.

When builders' merchants sell with the right package and toolkit, builders switch for convenience and added value.

But what is the right package? It's not basic product, limited choice, long lead times or low price. Builders are used to a wide range of bespoke product, and a good choice of colour, delivered in a short time. Like us, they live off their smart-phones so they know what's available, and they expect to get it. They know what a PVC-U window looks like, but they're less familiar with its finer points and they install less often than a window installer, so they may need reminding of best practice to ensure trouble-free fitting and reliable performance in use.

They may want to bring, or send, their customer in to choose the products they could have, just as if they were buying a kitchen or bathroom, so a showroom is a key part of the merchant's package. From the increasing interest in our showrooms - typically we're getting two requests a week for new designs, large and small - it's clear that merchants are responding appropriately to the opportunity.

Some builders measure and fit themselves, others get someone they know to do it for them, while for others a complete measure, supply and fit service is ideal. We are currently running a trial launch and seeing strong demand for this full 'supply and fit' merchant solution, with 30 projects completed in Q4 2018. The trial is continuing in Q1 2019 before a full national launch.

I tried to avoid the B word! But to confirm, Crystal manufacturers in the UK using components made and supplied from the UK, so we're as well prepared as we can be for Brexit.

“Merchants' enquiries for PVC-U windows, doors and conservatories were up 115% in Q4 2018 compared with Q4 2017. Orders rose nearly 80%.”

Expert Panel

Roof Windows

(Part of Timber & Joinery Products)



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

2018 ended more positively than it began as continued growth in quarter four erased the damage done by the Beast from the East in Q1. Excluding December, Q4 had an increasing sales run rate, resulting in strong roof window growth over the year.

National house builders recorded small growth in completions for the year, falling well behind forecasts made in 2017. In contrast, RMI continued strongly, enabling Keylite, for example, to finish the year with yet another year of double-digit growth on like-for-like sales. This seems to be a growing trend: while new housing supply fails to keep up with demand, RMI continues to flourish. For roof window manufacturers, this is a positive trend, especially in areas like London where space is at a premium and the main way to extend is moving upwards into the roof.

Increasingly, national house builders are seeking stock and supply commitments as 'No Deal' Brexit looms closer. Brexit-proofing plans are in place, but it remains to be seen what form Brexit takes, when it takes place, and what the real impact will be. 'No Deal' would be particularly difficult for the roof window industry, due to the significant cross-border sales and travel. Whether we have a 'Deal' or 'No Deal' the volume of almost-daily statements, debate and confusion emanating from parliament is sapping consumer and business confidence.

However, our outlook for 2019 is still for strong growth. Housing demand is high. A growing population, changing demographics and decades of under-building have left us short of living space. After the financial crisis of 2008 we saw the switch from 'move' to 'improve' where homeowners, unable to move, invested time and money in improving their living spaces. If this trend were to be reinforced by the outcome of Brexit, it should help fuel growth. This combination of new build and RMI projects will allow the roof window industry to push forward whatever the fallout from Brexit.

Loft convertors and merchants have seen growth in long life, high-performance white PVC roof windows, such as our Keylite Polar range, and new product launches will give consumers more reasons to buy roof windows in 2019.

“2018 ended more positively than it began as continued growth in quarter four erased the damage done by the Beast from the East in Q1.”

Expert Panel

Timber & Panel Products

(Part of Timber & Joinery Products)



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

Timber and panel product sales were good in Q4 2018. As this report shows, timber and joinery category sales grew 6.1% year on year, making it the strongest performing sector. Confidence is holding up despite ever-present economic uncertainty. Contingency planning continues for a 'No Deal' Brexit but there will inevitably be delays as imports get port clearance.

Hardwood timber supply for the major species is good. North American supply, specifically white oak, has been impacted by poor weather conditions slowing logging, and further influenced by reduced demand for lower grades at saw mills. The African supply situation hasn't eased and availability of sapele is short. European oak demand remains strong but there are specification issues, specifically with long lengths. Far Eastern supply has also been hit by the weather which is reflected in price increases.

When sourced legally and sustainably, tropical hardwoods are one of best raw materials available. The announcement that Ghana is the first African nation able to export FLEGT (Forest Law Enforcement, Governance and Trade) licensed timber must be welcomed. It is a significant step forward for the industry in ensuring the future of tropical timber.

Regarding panel products, availability of MDF (medium density fibreboard) continues to improve with additional production coming on stream, so lead times are reducing. Price increases have been seen and we should expect further movement in quarter one. OSB (oriented strand board) and P2 Furniture Grade chipboard lead times improved during the fourth quarter and are expected to improve further during 2019.

Plywood supply is inconsistent in availability, quality and price, all of which are a concern. Following the TTF (Timber Trade Federation) plywood review, it's important that merchants play a vital role in ensuring lasting change in the plywood sector. A greater understanding of the product and its application is needed. Merchants must ensure the right documentation that supports CE marking is obtained. Sourcing legal and sustainable timber will contribute to greater transparency in the plywood sector.

“Timber and panel product sales were good in Q4 2018. As this report shows, timber and joinery category sales grew 6.1% year on year, making it the strongest performing sector.”

Expert Panel

Civils, Metal Rainwater & Drainage

(Part of Heavy Building Materials)



John Coe, Commercial Director Alumasc Water Management Solutions (AWMS) is BMBI's Expert for Civils, Metal Rainwater & Drainage.

The year ended strongly with the civils, metal rainwater and drainage sector up on the previous quarter. As a business, we had a very strong last quarter with good sales in October, a positive product mix in November and a December that was also better than forecast. Year-end sales were boosted by the trade working right up to the final hour in December, as well as having reasonable winter weather.

Moving into the New Year, we have seen a very good start. January kicked off the year with a strong order book and high level of enquiries. Anecdotally, the same appears to be true for the rest of the industry. Provided the momentum is maintained we are looking forward to a positive market.

In the commercial market, there is continuing strong interest in bespoke solutions which offer an offsite solution. The challenge is to ensure resources match this growth in enquiries. In terms of product, lightweight steel rainwater is rising in popularity as its price point approaches that of a high-end plastic alternative. Steel rainwater brings the properties of strength and longevity, without colour fading or shrinking problems, to residential and commercial work.

The civils sector now looks forward to significant projects and investment coming down the line for 2019. Docks and airport infrastructure represent significant civils work including regional airports at Stanstead, Manchester and East Midlands and, across the sea, major project work at Dublin airport. High capacity slot drainage products are all benefitting from such projects going ahead.

Unfortunately, the uncertainty of the Brexit negotiations threatens to defer the start of many projects and puts a question mark over commitments in the pipeline. The industry needs to be confident that the increase we're seeing in enquiries and tenders will convert to orders and live jobs. But, with a fog of uncertainty hanging over the entire Brexit process, at the time of writing, and with questions over Brexit itself, this can only lead to project delays despite such a positive industry outlook.

“We had a very strong last quarter with good sales in October, a positive product mix in November and a December that was also better than forecast.”

Expert Panel

Cement & Aggregates

(Part of Heavy Building Materials)



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

Seasonally adjusted demand for construction products finished strongly in Q4 2018. This had a positive effect on the overall performance for 2018, said the Mineral Products Association (MPA) in its latest report. The volume of crushed rock and asphalt sales grew 2.2% in Q4 2018 compared to the previous quarter, while sand & gravel and Ready Mixed Concrete (RMC) increased by 5.0% and 4.6% respectively. Mortar sales fell for the second consecutive quarter, by 1% compared with Q3. Yearly sales of aggregates and asphalt increased 2.1% and 0.7% compared with 2017. Total sales of RMC fell 1.6% in 2018, primarily because of lower construction activity in London. Mortar sales grew 14.3% due to increased housebuilding.

The Construction Products Association (CPA) downgraded its latest forecast to 0.3% growth in 2019 because of uncertainty surrounding Brexit. In contrast however, Hanson has had a positive start to 2019 and most merchants and suppliers we have spoken to have also seen volumes higher than expected. If the industry associations are right, construction is in for challenging times in 2019 with political uncertainty and continuing delays to major Government projects.

The BMBI debate in October 2018 covered some interesting topics that will impact the merchant sector. One that the industry can influence is "changes in buyer behaviour and how we sell". We've seen the impact the internet has had on high street retailers and how consumers have changed their shopping habits. We've not yet seen the same dramatic change in buyer behaviour in our sector, and there's been much debate as to why. We don't know why, but there will be many reasons, and we must be careful not to generalise as our sector is very diverse. We will be better served if merchants and suppliers collaborate closely to improve what we already do. Between us we have far more product and industry knowledge than potential online disrupters. We need to use technology to our advantage to improve our processes, data, training, logistics, customer interaction, and overall end user experience. The aim is to have frictionless transactions that meet the expectations of customers throughout the supply chain.

"The volume of crushed rock and asphalt sales grew 2.2% in Q4 2018 compared to the previous quarter, while sand & gravel and Ready Mixed Concrete (RMC) increased by 5.0% and 4.6% respectively."

Expert Panel

Roofing Products

(Part of Heavy Building Materials)



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

Roofing product sales were strong in the last three months of 2018, with sales ahead of Q4 2017. Merchants and independent roofing distributors did particularly well. This overall positive picture however covers a broad range of performances in different areas.

In some regions – particularly in the key regional cities of Birmingham, Leeds, Manchester and Belfast – there has been a lot of major construction activity. The Deloitte Real Estate Regional Crane Survey, which monitors construction activity saw a sustained or increased level of development across a range of sectors including offices, residential, hotels, retail, education and student housing.

Housing repair maintenance and improvement (RMI) activity was also up on Q4 2017 and on Q3 2018. Some main contractors have reported difficulties in hiring roofers – an indication of a busy market and the continuing skills shortage. Minimal winter weather disruption also contributed to roofing contractors increased output, compared to the extreme weather in the first three months of 2018, and a difficult last three months of 2017.

Mid-sized roofing contractors report that surveys and enquiry levels are also up on the same period of 2017, giving some reassurance that clients are continuing to plan new projects despite the uncertainty, gloomy economic predictions and confusion emanating from Westminster and the cautious economic forecasts from economic bodies and the Bank of England. We now wait for confirmation of the project funding and the start dates of these projects.

Despite the now widely accepted view that we need to ramp up housebuilding to make good the housing shortfall and keep pace with the needs of a growing population, new build is not contributing as much to the overall positive picture. NHBC starts are 1.2% down on the same time last year with developers seemingly cautious as the Brexit deadline draws closer. Some regions look more positive, with Yorkshire and Humberside showing a 20% reported increase in housebuilding registrations.

“Roofing product sales were strong in the last three months of 2018, with sales ahead of Q4 2017. Merchants and independent roofing distributors did particularly well.”

Expert Panel

Steel Lintels

(Part of Heavy Building Materials)



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

I am delighted to report that steel lintel demand in the fourth quarter of 2018 continued in the strong vein of the previous two quarters. While not showing the same intense demand of the previous six months, Q4 delivered like for like growth 6%, higher than the same period in 2017. Previous years might have seen the whole year set back by the disappointing first quarter, caused by the 'Beast from the East'. But 2018 sales recovered quickly from this weather-affected period and, better still, the sector delivered reasonably strong performance for the full year. So strong, it was like the pre-2008 times were back!

Demand for both social and private housing are positive. The NHBC continues to report growth in new home registrations, increasing by 7% for the rolling quarter of September to November, with a mix of 6% in the private sector and 10% in the affordable sector. Interest rates are still historically low, wages are increasing moderately, so what could affect a promising construction sector in 2019 and beyond?

Oh yes, Brexit! Predictions for the next three months, or longer, may as well be written in invisible ink for all the light we can throw on it, so what should we be doing as an industry?

One of the key questions we're being asked is what our plans are. As an independent manufacturer, Keystone decided to minimise disruption to our valued customers by holding a minimum of six months' stock of steel in raw material and finished goods in the UK. This may turn out to be a crazy action, or a well thought out plan, but the message is: we are prepared. I should clarify, this material is earmarked for loyal stockists, based on the peak period of 2018. We hope all other product suppliers have plans in place which will similarly keep house building on track.

The housebuilders' immediate and ongoing challenge continues to be sourcing skilled labour. This invites further scrutiny of off-site options, which both merchants and manufacturers need to be aware of. At Keystone, we are seeing builders develop a growing number of off-site houses and other components, including garages. This is both a risk and an opportunity and may affect the traditional supply chain route.

“Sales in 2018 recovered quickly from a weather-affected first quarter and, better still, the sector delivered reasonably strong performance for the full year. So strong, it was like the pre-2008 times were back!”

Expert Panel

Mineral Wool Insulation

(Part of Heavy Building Materials)



Neil Hargreaves, Managing Director Knauf Insulation is BMBI's Expert for Mineral Wool Insulation.

Changing trends in specification played a big role in the strong, sustained demand for mineral wool insulation last year.

Even without a decisive boost to the market from ECO3, the financial case for more thermally-efficient buildings remains robust and well-understood. But there are other insulation performance factors we expect to play an increasing role in specification in 2019.

We've already seen fire safety feature more strongly in the decision-making process for specifiers and homeowners. Sales of non-combustible building materials have increased as a result. We now know that this trend will continue following December's update to the building regulations, which mandated the use of materials with Euroclass Reaction to Fire ratings of A1 or A2 on the façades of certain building types over 18m.

We expect the acoustic performance of insulation to become a more significant consideration in 2019 too, driven by a greater understanding of the impact of noisy buildings on health and productivity. Insulation choice makes a big difference in building acoustic performance, and it's often possible to improve the environment for occupiers at negligible cost. Manufacturers need to work with merchants, and their customers, to help them make the most of the new business opportunities that arise as a result.

Indoor air quality is another factor we expect to come to the fore. It will drive insulation sales in general, as warm and dry homes are healthier environments, but it will also determine which insulation products are chosen. Merchants should expect more questions on the chemical composition of the products they supply. The Eurofins certification scheme for indoor air comfort is a valuable aid here (for example, at Knauf Insulation our products with ECOSE Technology have been awarded Gold status).

Any look ahead to 2019 must address Brexit. Merchants will naturally have concerns about the impact it may have on the supply of building products. Responsible manufacturers will have detailed contingency plans in place to mitigate the risk of disruption whatever the eventual outcome of current negotiations.

“We expect the acoustic performance of insulation to become a more significant consideration in 2019, driven by a greater understanding of the impact of noisy buildings on health and productivity.”

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.

There seems to be no doubt that uncertainty and anxiety surrounding Brexit is increasingly weakening consumer and business confidence, which is affecting all areas of the market from new housing and RMI to commercial projects. The sooner we get Brexit clarity, the sooner we should see new market growth stimulated by private and social new build with a resulting positive knock-on to RMI. This though is dependent on avoiding a “no deal” scenario.

With this uncertainty in the market, actual sales volumes of insulation sales are holding up well, despite the pressures of rising prices in all sectors and continuing shortages of key products. Good winter building weather has helped here!

There is also no doubt that the specification and technical merit of all products is under great scrutiny, with fewer requests to ‘value engineer’ or compromise on original specifications. Overall, this is having a beneficial effect on the balance between commodity and value-added products.

For housebuilders on site, who already struggle with recruiting skilled labour, there is the looming problem of serious skill shortages, and inflation in construction material prices.

For merchants and retail outlets, there is an interesting dynamic in fragmenting product routes to market with the rise of online suppliers. Retail does appear to be losing share to these online suppliers, whether they are part of a merchant group or online-only traders who sell product without investing in stock. This change is also reflected in the reduction in DIY specialist retailers and the rise in trades both supplying and fitting the products.

Against this background of change, Encon is endeavouring to understand the individual merchant's strategy in its local market, helping it to add value to insulation and related product opportunities and investing in senior sales support for key Independent Builders Merchants.

“Insulation sales volumes are holding up well, despite the pressures of rising prices in all sectors and continuing shortages of key products. Good winter building weather has helped here!”

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.

Brick production and despatches both grew to the highest levels in a decade as demand continued to increase during 2018.

Full year figures, provided by the Brick Development Association, reveal that British brick manufacturers produced over 2 billion bricks for the first time since the recession. Beginning in 2008, it led to the mothballing or permanent closure of many brick factories over a 5-year period.

Similarly, 2.05 billion bricks were sold in 2018, which is slightly higher than in 2017 and was the biggest despatch volume since 2007 before the recession and credit crunch.

GB brick stocks are at relatively low levels, and it is increasingly essential for our industry to improve schedule accuracy so that manufacturers can provide a more reliable service with greater certainty of availability and supply. Working more closely with customers, Ibstock for example, has seen good improvement in 2018 and we will continue to prioritise those customers that provide the most accurate order and call-off information.

With demand exceeding supply, adding new capacity has been a priority. During 2019, Ibstock will continue to work to increase production. Our new Eclipse factory is now at almost full capacity and steadily increasing production up to its target of 2 million soft-mud bricks a week by the end of this year. In addition, we have planned a factory maintenance programme at some of our further 20 factories, which will increase yields, improve quality and provide greater volumes for the growing market.

Together with the capacity enhancement work of other GB manufacturers, we should see total production increase by somewhere around 5%. This will provide enough volume to match anticipated GB demand in 2019, without the need for increased volumes of imported bricks or alternative products.

This year, 2019 appears to have got off to a good start. Anecdotal comments from builders' merchants indicate strong sales in January, despite some developers reporting slower than expected house sales, and blaming uncertainty for the slowdown.

“Brick production and despatches both grew to the highest levels in a decade as demand continued to increase during 2018. British brick manufacturers produced over 2 billion bricks for the first time since the recession.”

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.

It's been a good start to the year with weather that's neither too cold nor too wet for installing outside. Landscapers are busy and merchants are stocking up to meet demand.

Early last year, extreme cold brought in by the Beast from The East, prevented installers working outside. Later, that was followed by extreme summer temperatures which also made it difficult for installers to make up those lost sales. So Instead of the double-digit growth we've seen over the last few years, growth was reduced with the weather as the main culprit and much of the industry suffered.

The industry also struggled with supply problems in the last twelve months. One solution for Talasey was to find new sources of supply, starting with bringing in three colours of slate from Brazil instead of China.

Compared to its launch about two years ago, porcelain is now accepted as the norm. This year we are launching many new porcelain products we hope this will be our stand out product range for the year. With the arrival of new market entrants, prices are lowering and creating a new mass market.

Artificial grass is another product champion, which is bucking the trend compared to other landscaping lines. Further demand may come from homeowners frustrated by the state of their lawns in the summer of 2018. Bare brown patches baked hard in the sun is not what people want on their lawns. Nor do most people want to work at achieving the perfect green look and feel they can get from the best artificial grass.

Skill shortages are often blamed for holding companies back and the industry is urged to invest in training. In the fourth quarter we opened the Talasey Training Academy, which is now recognised as a BMF centre of excellence. Training covers all Talasey products including resin, stone, porcelain and artificial grass. Successful participants in our training courses receive a City and Guilds Qualification.

As I'm writing these comments everyone is buying huge quantities of stock and finding ways to store volume. This is a concern because we, along with other landscape suppliers, import from or through a European port. If the politicians get Brexit wrong, we will all be affected.

“Everyone is buying huge quantities of stock and finding ways to store volume. This is a concern because we, along with other landscape suppliers, import from or through a European port.”

Expert Panel

Water Heating

(Part of Plumbing Heating & Electrical)

HEATRAE SADIA
SMARTER | CLEANER | WARMER



Jeff House, Head of External Affairs Heatrae Sadia is BMBI's Expert for Water Heating.

There has been a mixed picture in Q4, with BMBI showing a good performance for plumbing and heating, particularly during October and November. The EUA (Energy & Utilities Alliance) stats on boiler sales by volume (that also include hot water storage) were less positive.

Looking at the overall market for the year, it has been relatively flat. Private housing starts are expected to grow in 2019, which is good news for our product offer from this important sector.

There is a continuing positive trend for combination boilers in housing RMI, something which has led to a 5% reduction in demand for hot water cylinders in the residential sector. In commercial construction, there has also been a softening in demand - particularly for office space and retail. This is potentially attributable to prolonged uncertainty during the negotiations over Brexit and its outcome.

In the short to medium term, there are a range of regulations under review; all potentially affecting demand for products in our sector.

Increases in domestic RHI (Renewable Heat Incentive) tariff levels have stimulated an increase in air source heat pump installations in 2018, which have driven cylinder volumes to an extent. The RHI scheme is due to end in April 2021 with no firm policy proposals for a successor as yet, which may dampen enthusiasm in the RMI sector for currently incentivised technologies in future.

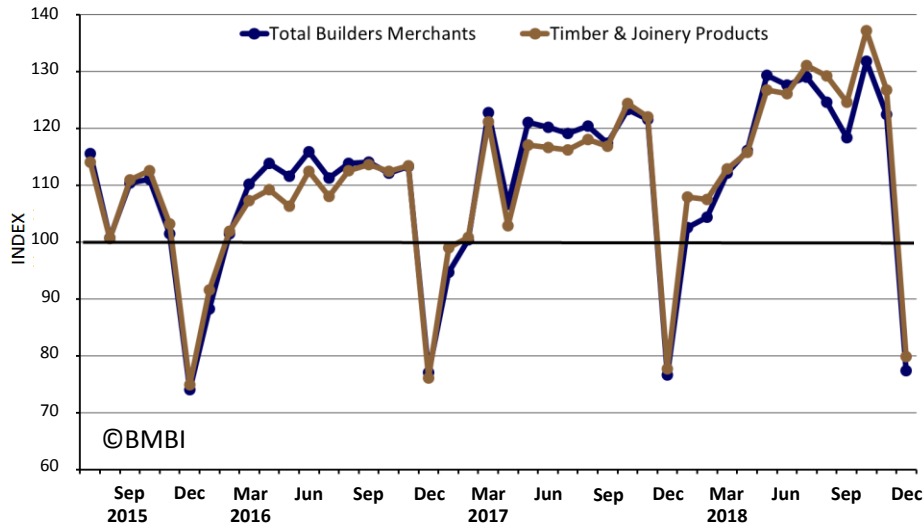
This year, we expect a consultation on revisions to Building Regulations (including Approved Document L for energy efficiency). As such, the Standard Assessment Procedure (SAP) framework will be updated to reflect the lower carbon intensity of grid electricity, which will mean that electric heating and hot water products will be more attractive in new build compliance calculations. Consequently, we expect an increase in market demand for heat pumps in the early 2020's, which means in turn a requirement for hot water cylinders.

“There is a continuing positive trend for combination boilers in housing RMI, something which has led to a 5% reduction in demand for hot water cylinders in the residential sector.”

Monthly and Quarterly Indices

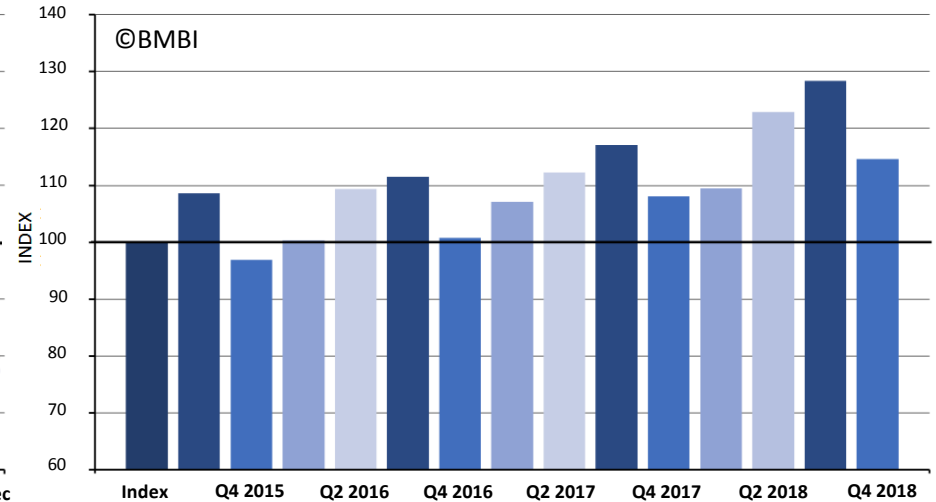
December 2018 and Q4 2018

Timber & Joinery Products



Monthly chart indexed on July 2014 – June 2015

Timber & Joinery Products - Quarterly

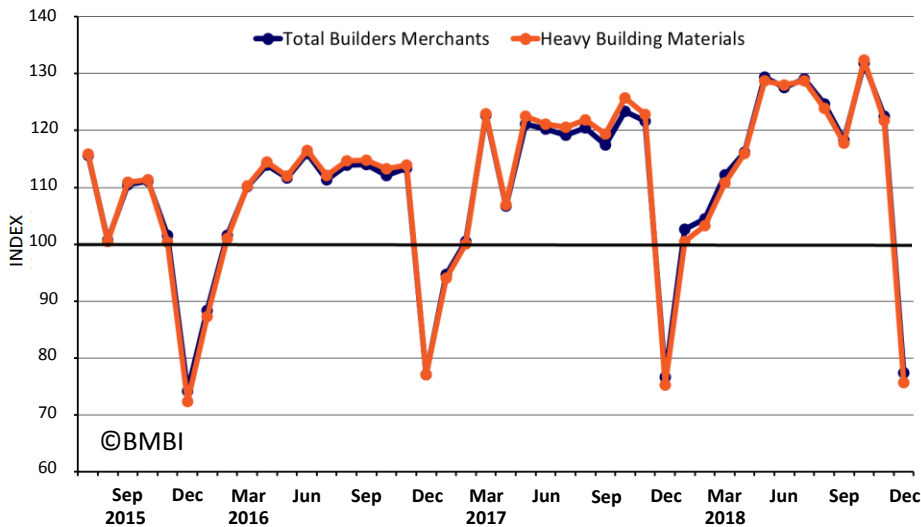


Quarterly chart indexed on July 2014 – June 2015

Monthly and Quarterly Indices

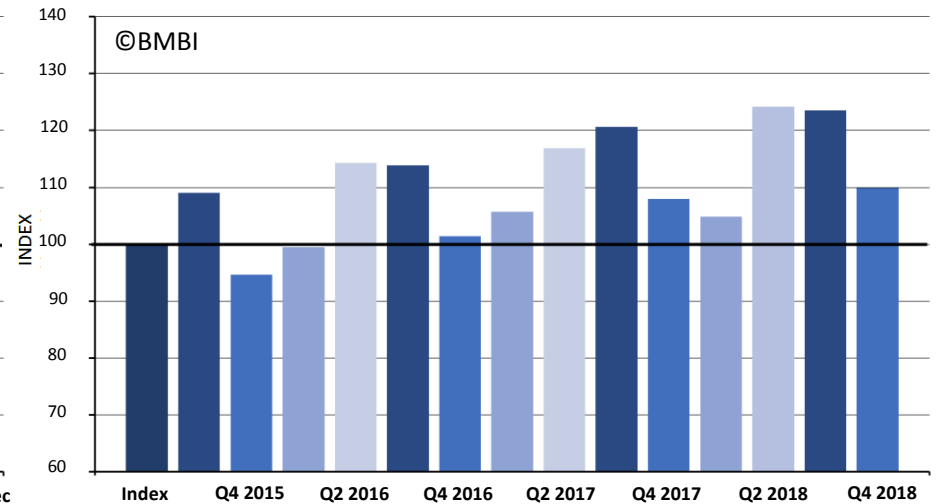
December 2018 and Q4 2018

Heavy Building Materials



Monthly chart indexed on July 2014 – June 2015

Heavy Building Materials - Quarterly



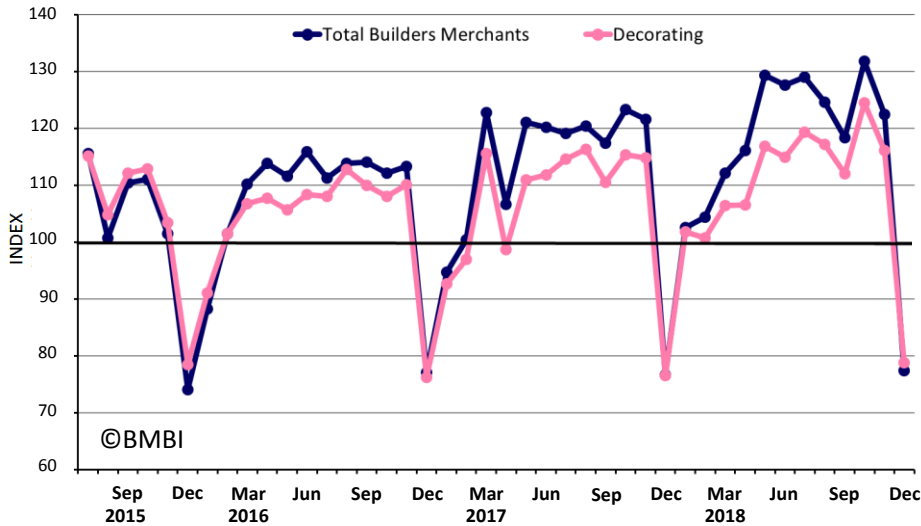
Quarterly chart indexed on July 2014 – June 2015

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

Monthly and Quarterly Indices

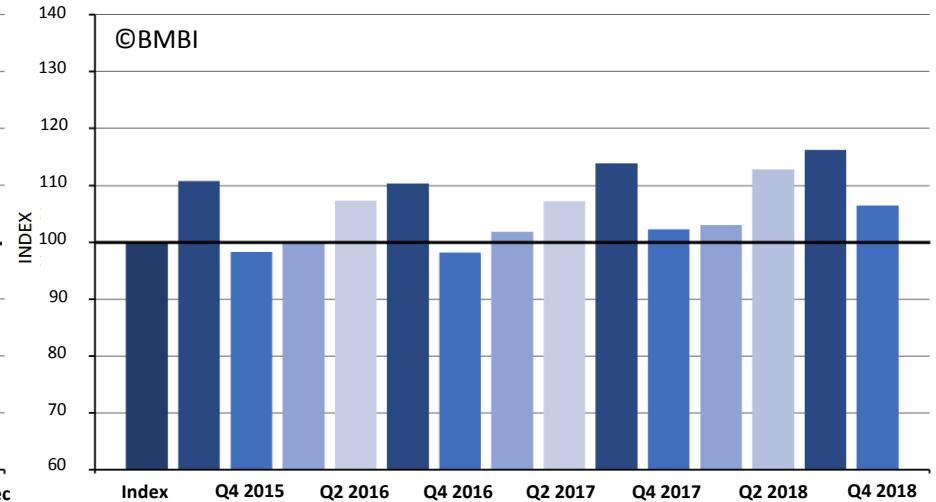
December 2018 and Q4 2018

Decorating



Monthly chart indexed on July 2014 – June 2015

Decorating - Quarterly



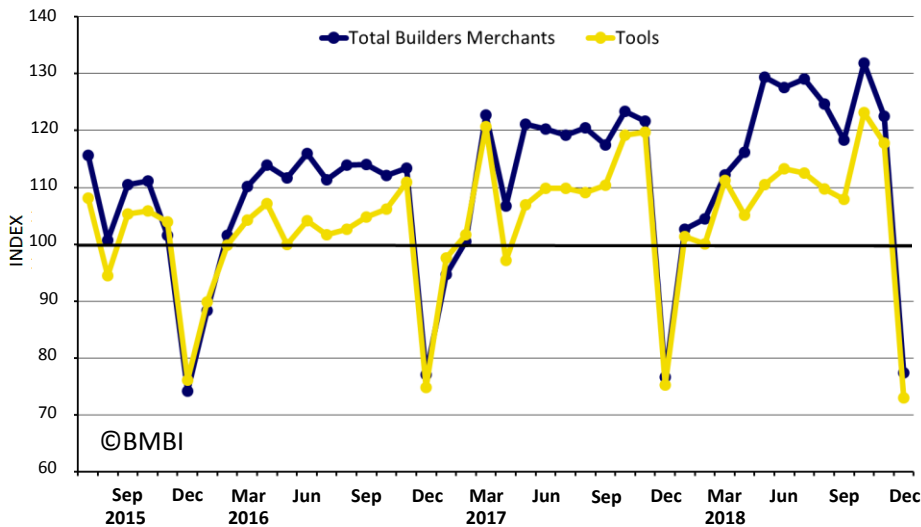
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Monthly and Quarterly Indices

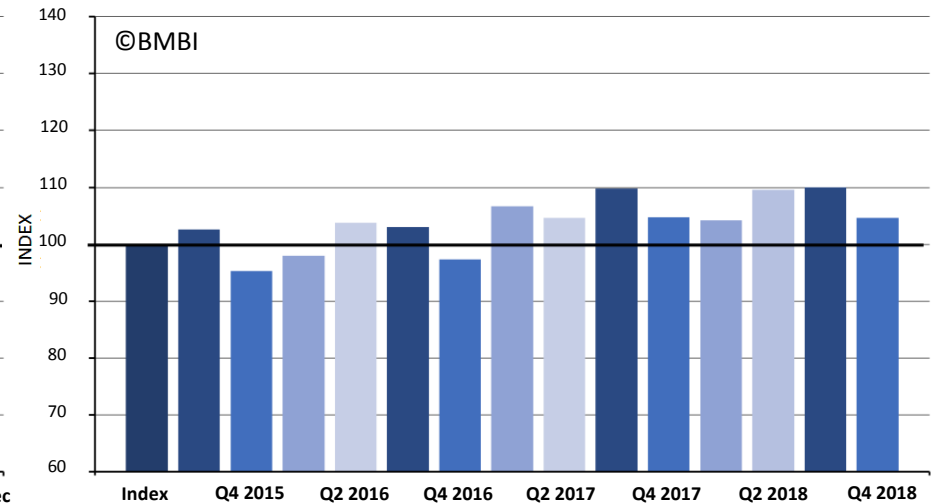
December 2018 and Q4 2018

Tools



Monthly chart indexed on July 2014 – June 2015

Tools - Quarterly



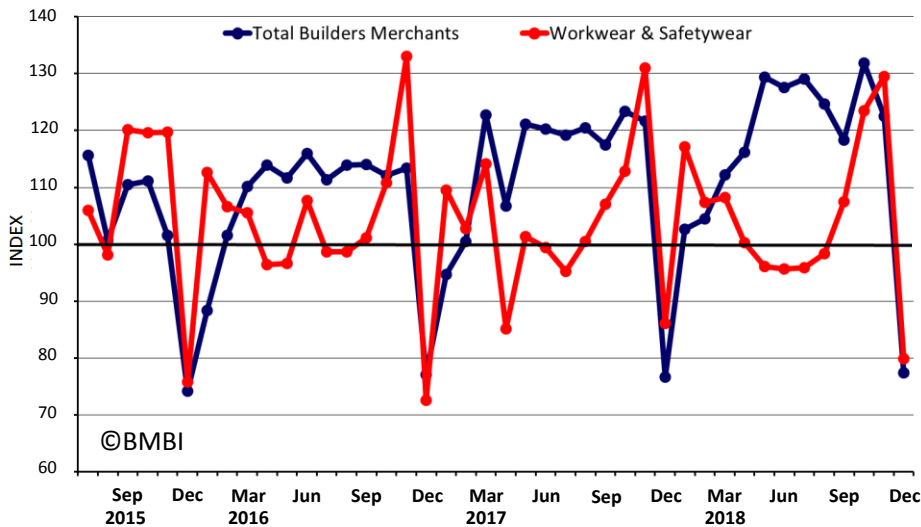
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Monthly and Quarterly Indices

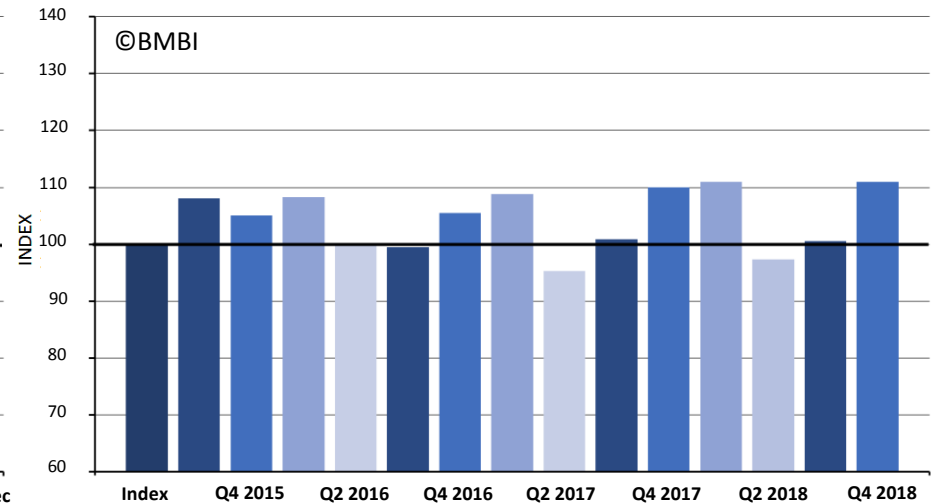
December 2018 and Q4 2018

Workwear & Safetywear



Monthly chart indexed on July 2014 – June 2015

Workwear & Safetywear - Quarterly



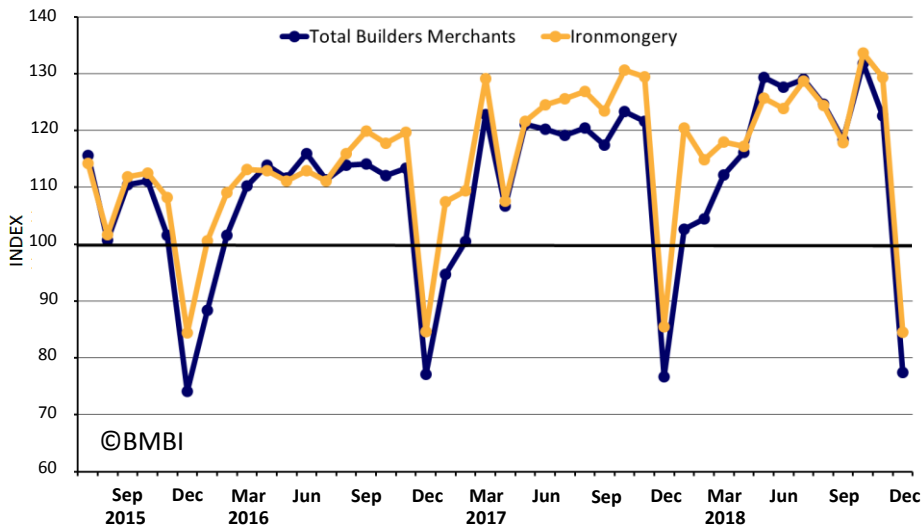
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Monthly and Quarterly Indices

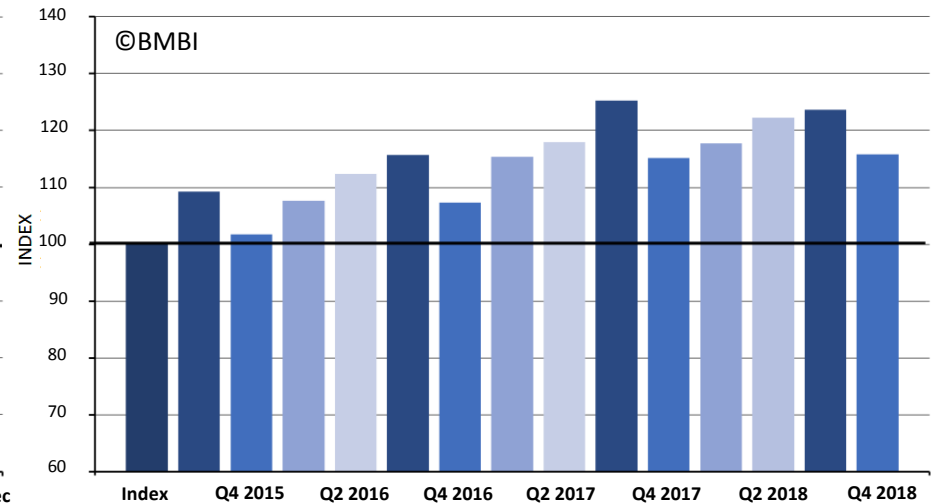
December 2018 and Q4 2018

Ironmongery



Monthly chart indexed on July 2014 – June 2015

Ironmongery - Quarterly



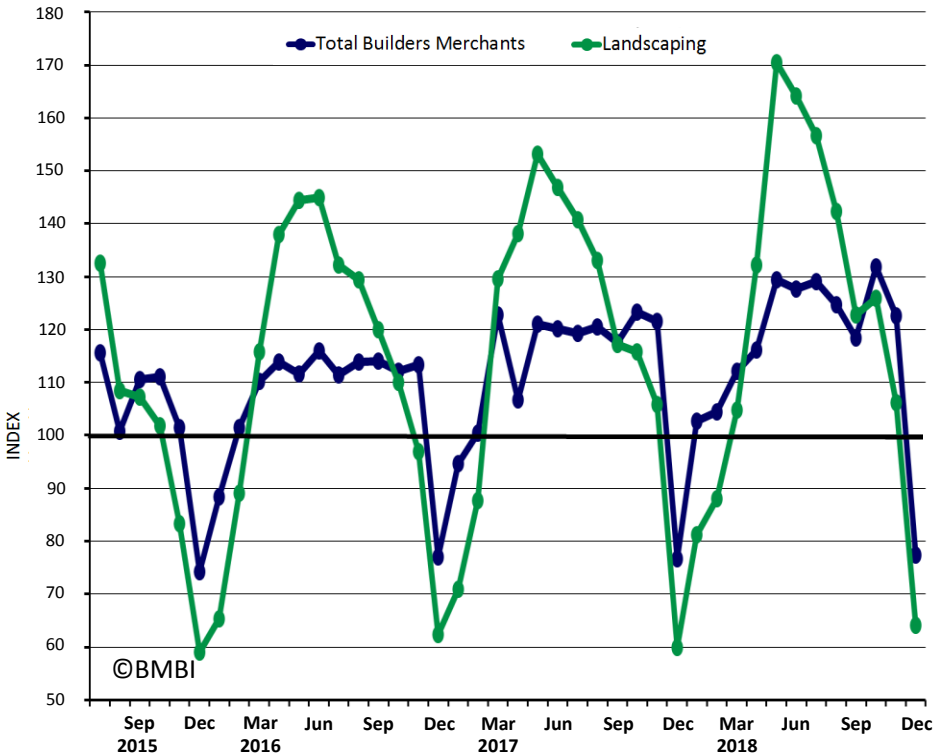
Quarterly chart indexed on July 2014 – June 2015

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Monthly and Quarterly Indices

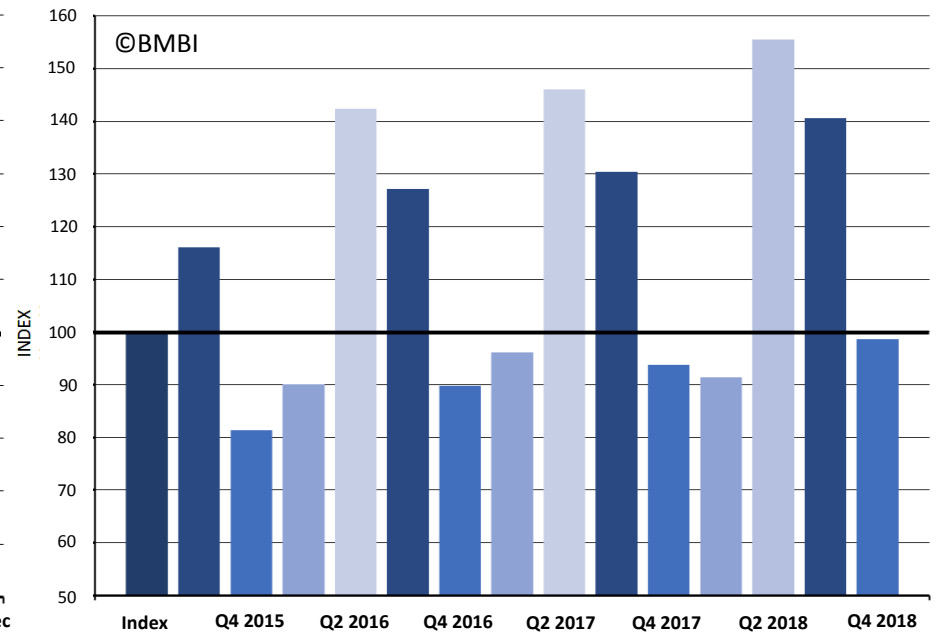
December 2018 and Q4 2018

Landscaping



Monthly chart indexed on July 2014 – June 2015

Landscaping - Quarterly



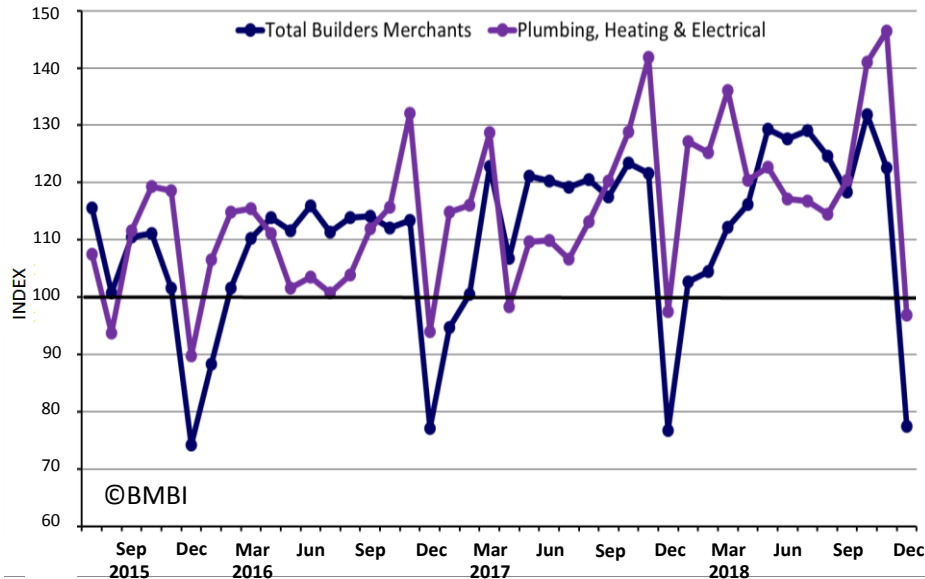
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Monthly and Quarterly Indices

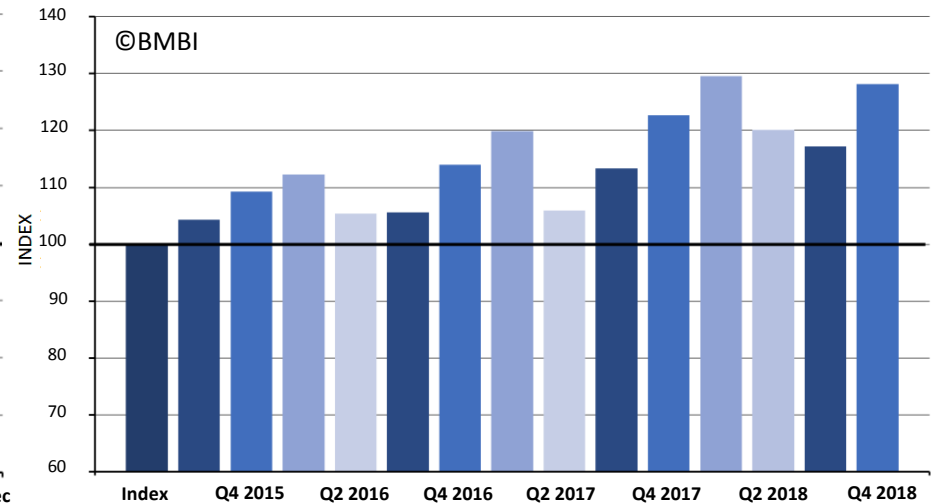
December 2018 and Q4 2018

Plumbing, Heating & Electrical



Monthly chart indexed on July 2014 – June 2015

Plumbing, Heating & Electrical - Quarterly



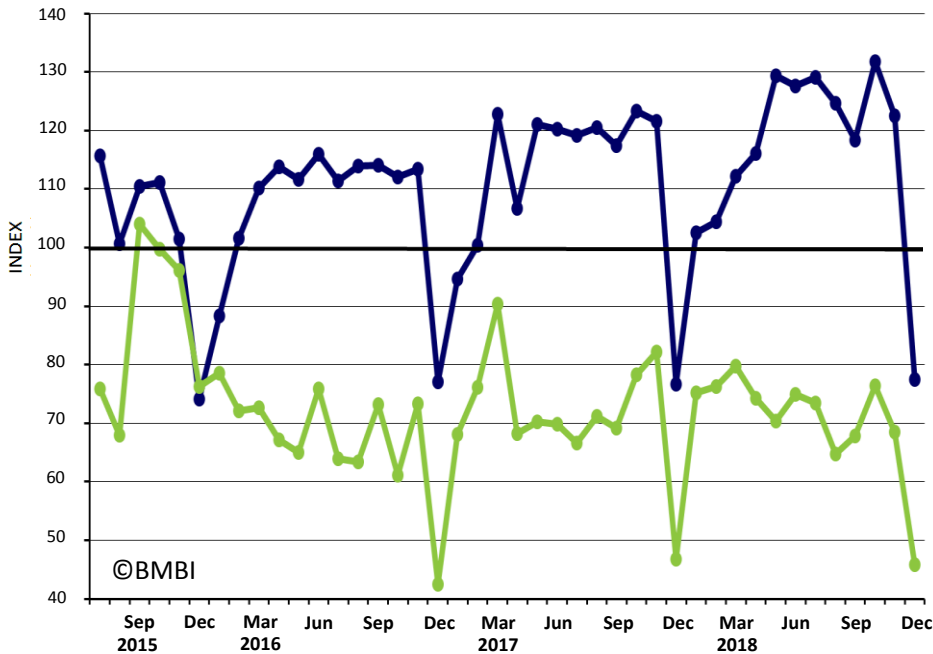
Quarterly chart indexed on July 2014 – June 2015

Monthly and Quarterly Indices

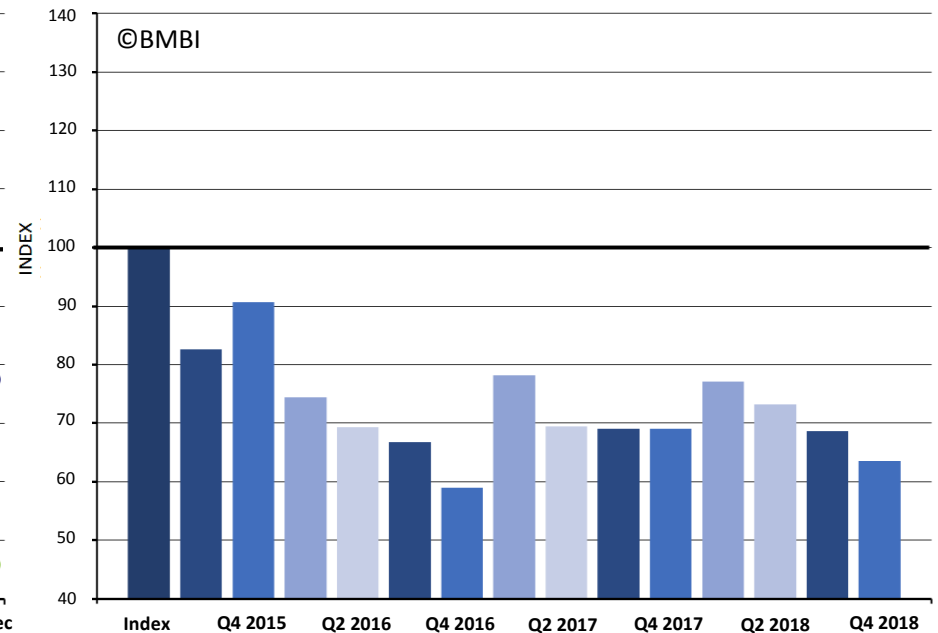
December 2018 and Q4 2018

Renewables & Water Saving

● Total Builders Merchants ● Renewables & Water Saving



Renewables & Water Saving - Quarterly



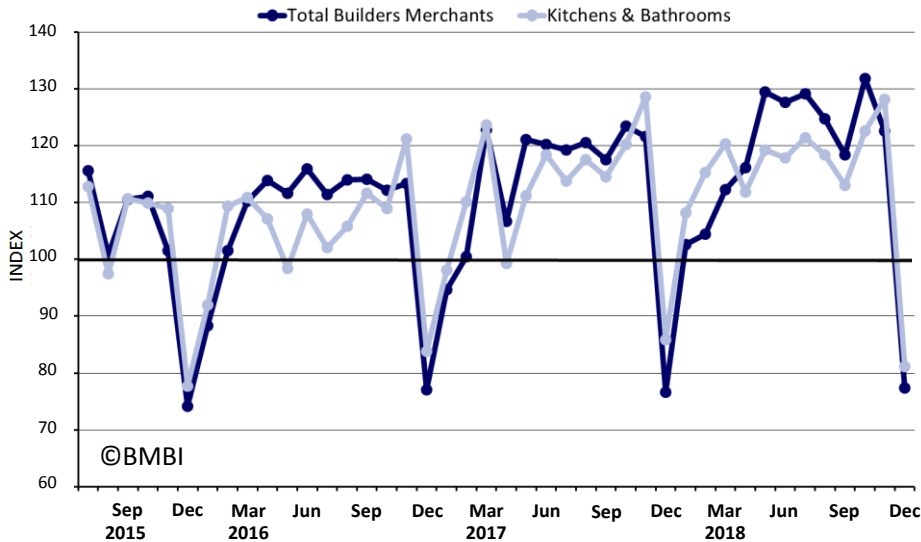
Charts indexed on July 2014 – June 2015

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

Monthly and Quarterly Indices

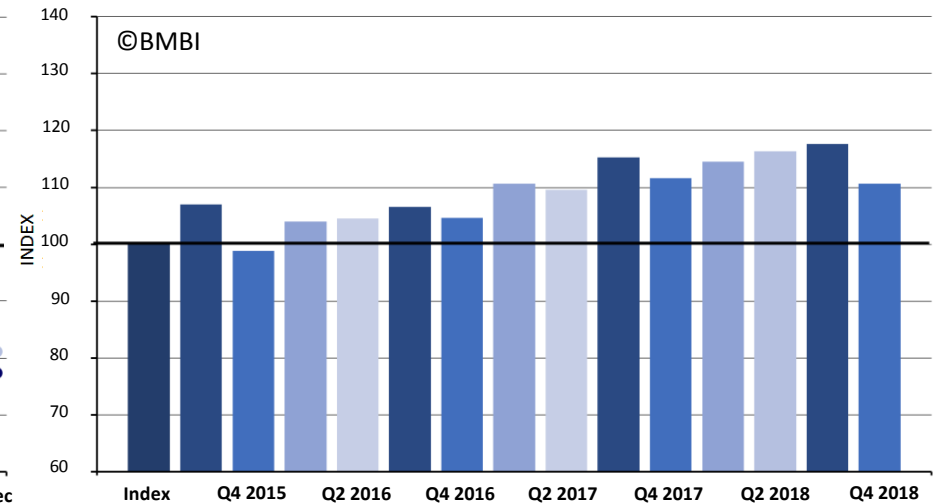
December 2018 and Q4 2018

Kitchens & Bathrooms



Monthly chart indexed on July 2014 – June 2015

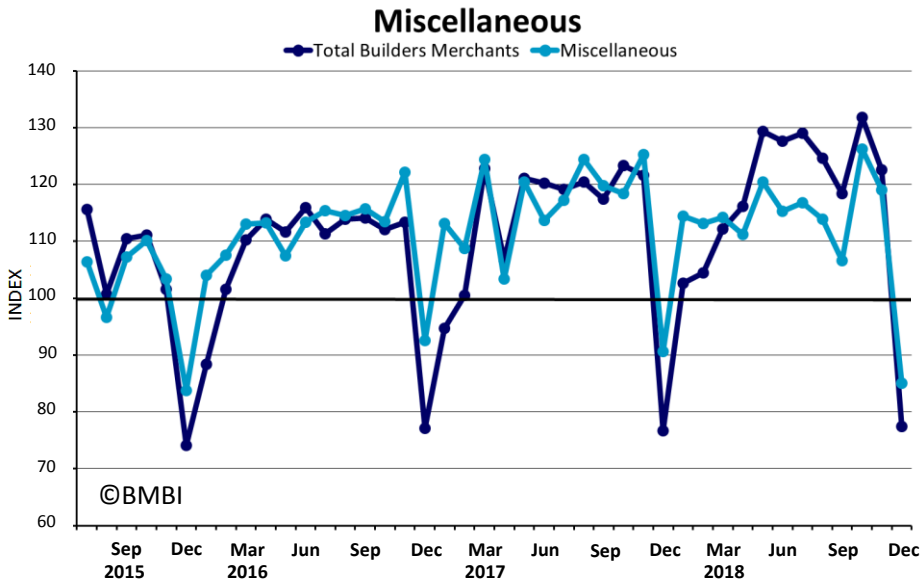
Kitchens & Bathrooms - Quarterly



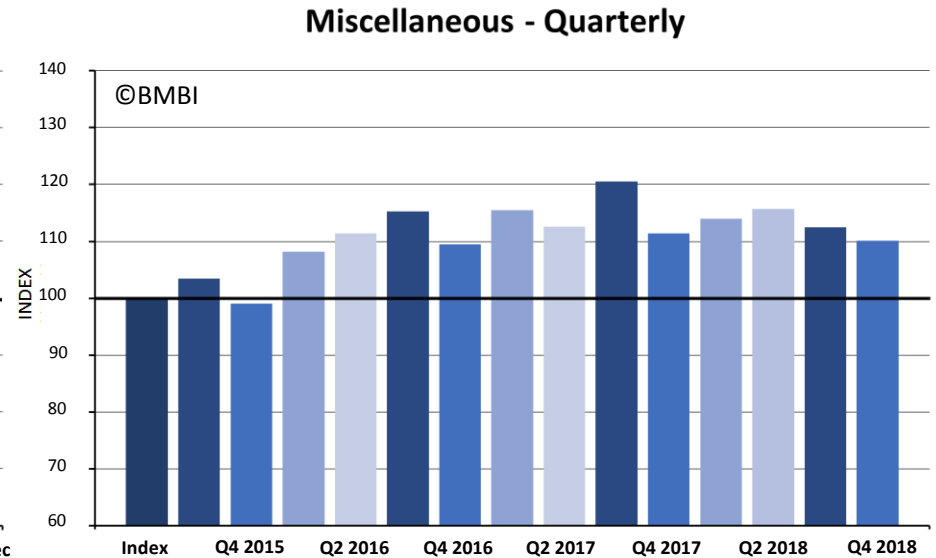
Quarterly chart indexed on July 2014 – June 2015

Monthly and Quarterly Indices

December 2018 and Q4 2018



Monthly chart indexed on July 2014 – June 2015

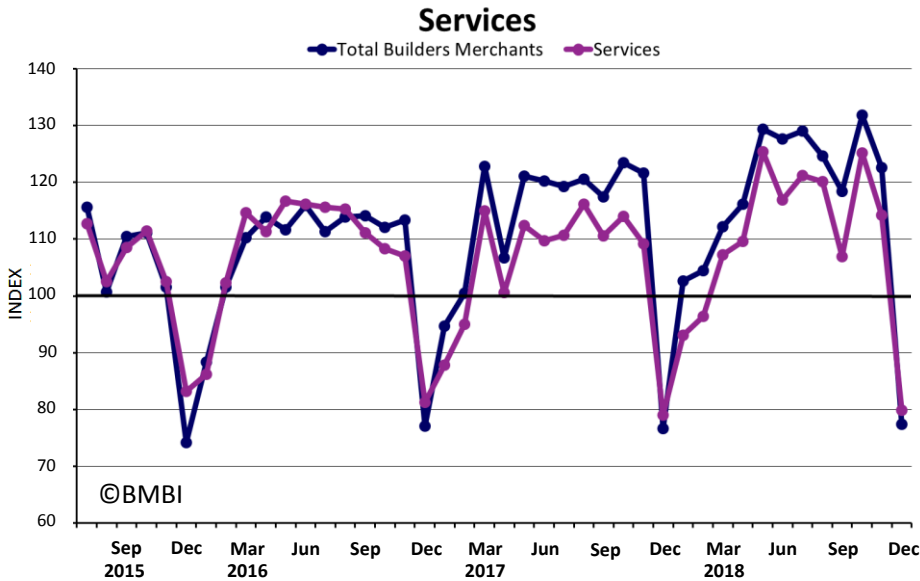


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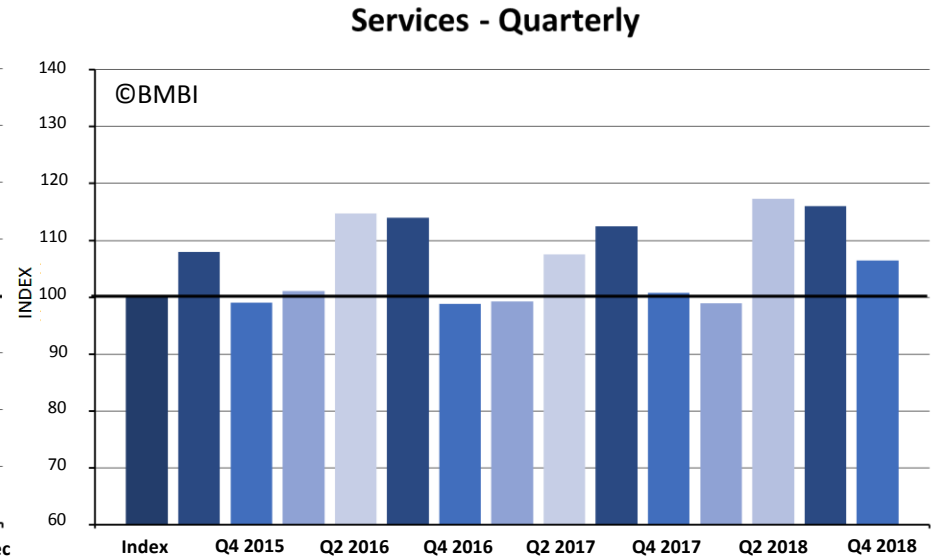
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Monthly and Quarterly Indices

December 2018 and Q4 2018



Monthly chart indexed on July 2014 – June 2015



Quarterly chart indexed on July 2014 – June 2015

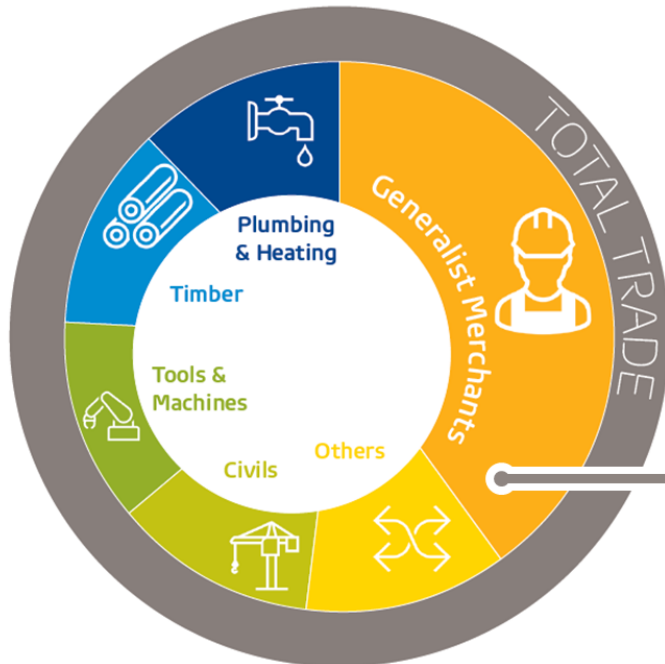
GfK Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2018

GfK's Panel

Generalist Builders Merchant Panel (GBM's)



The Multiple Generalist Builders Merchants Channel



Generalist Builders Merchants

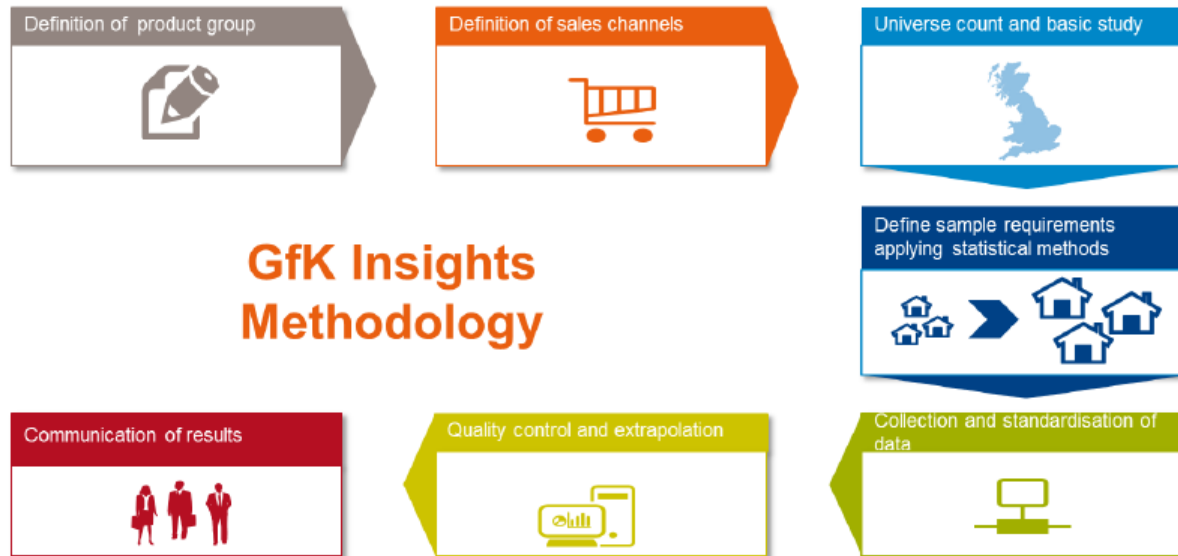
Builder Merchants handle an extended range of building materials and components (e.g. doors, windows, interior furnishing materials, insulation materials, tiles, cement, mortar, adhesives, sealants, nails, hardware products, pipes, ironware, paint) and generate their turnover with professional end users.

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

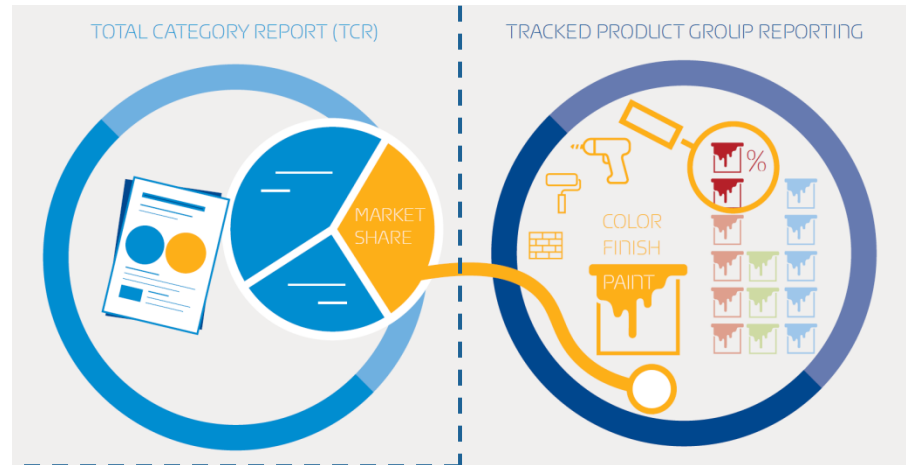
Bathroom (Including Showering)
Fitted Kitchens
Major Appliances

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

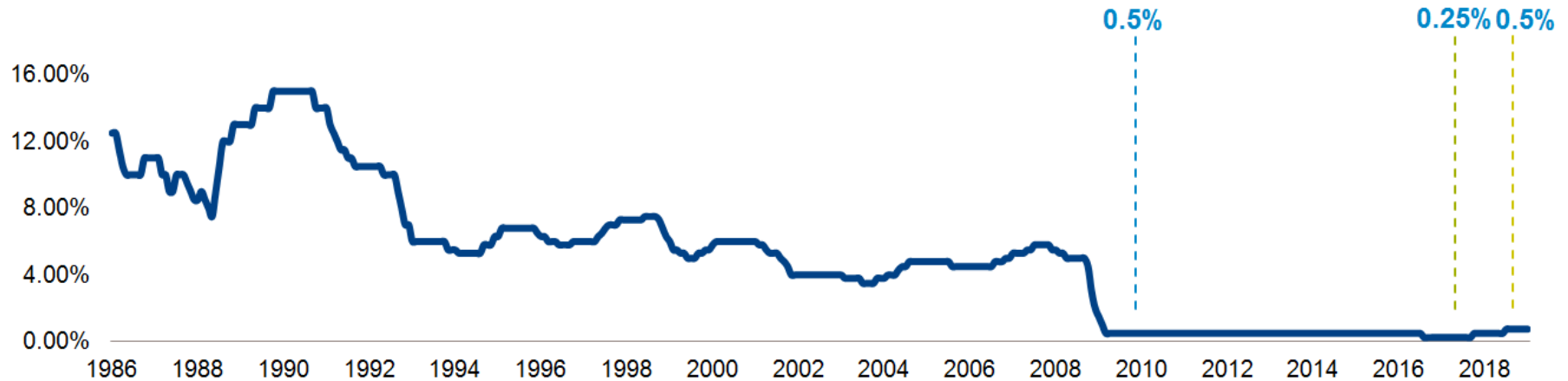
Set monthly by the MPC (Monetary Policy Committee)

▪ 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%

▪ 19th December 2018 the Bank of England Monetary Policy Committee voted 9:0 to maintain the Bank Rate at 0.75%



Source: Bank of England

Macro factors impacting Merchants

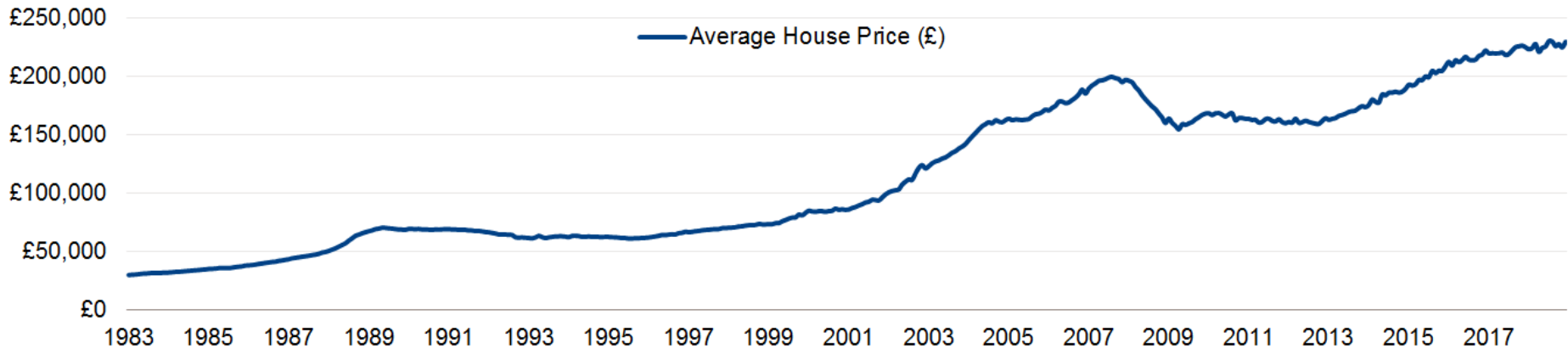


Standardised average house prices

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%
2018	£229,729	+2%

- 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 December 2018, the average house price in the UK rose to £229,729 from £224,860 in November 2018.



Source: Halifax House Price Index

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Macro factors impacting Merchants



Property transactions

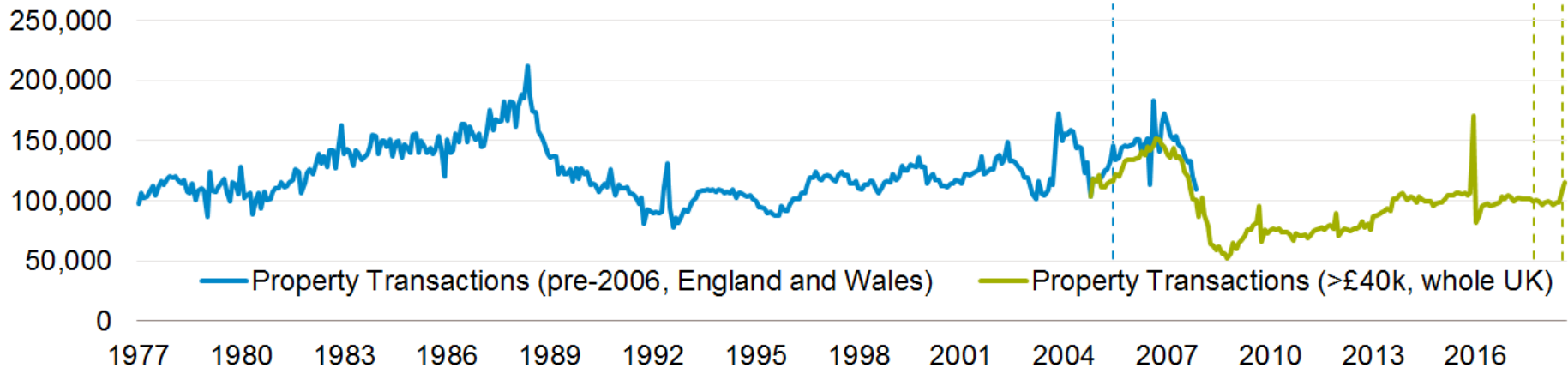
Monthly transactions, residential, seasonally adjusted

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 increased 2.5% in December 2018 compared to the previous month.



Source: HM Revenue & Customs

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Macro factors impacting Merchants



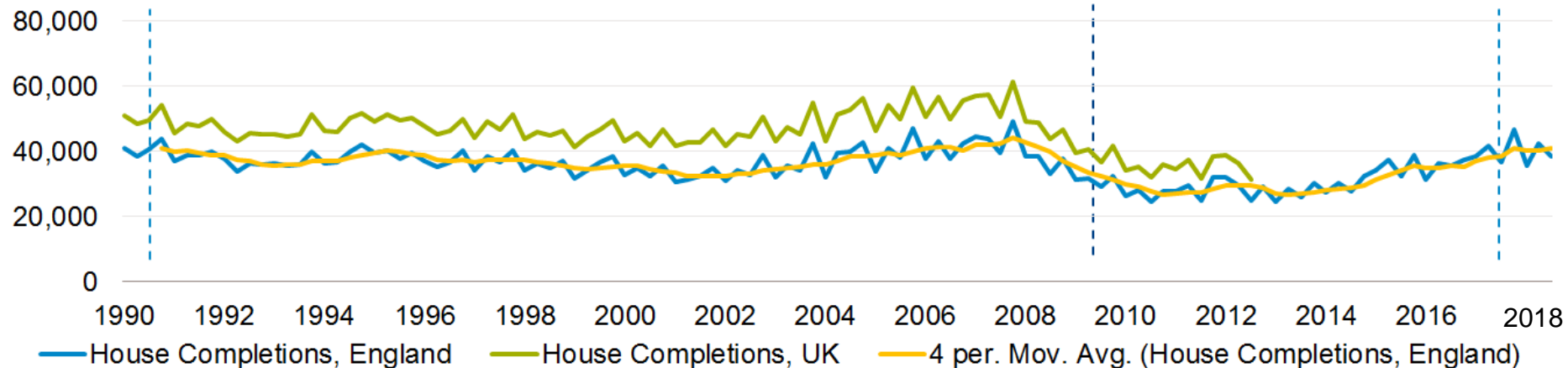
New house builds

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 Q3 2018, 38,470 permanent dwellings were completed, compared to Q2 2018 figures of 42,230 (-8.9%)



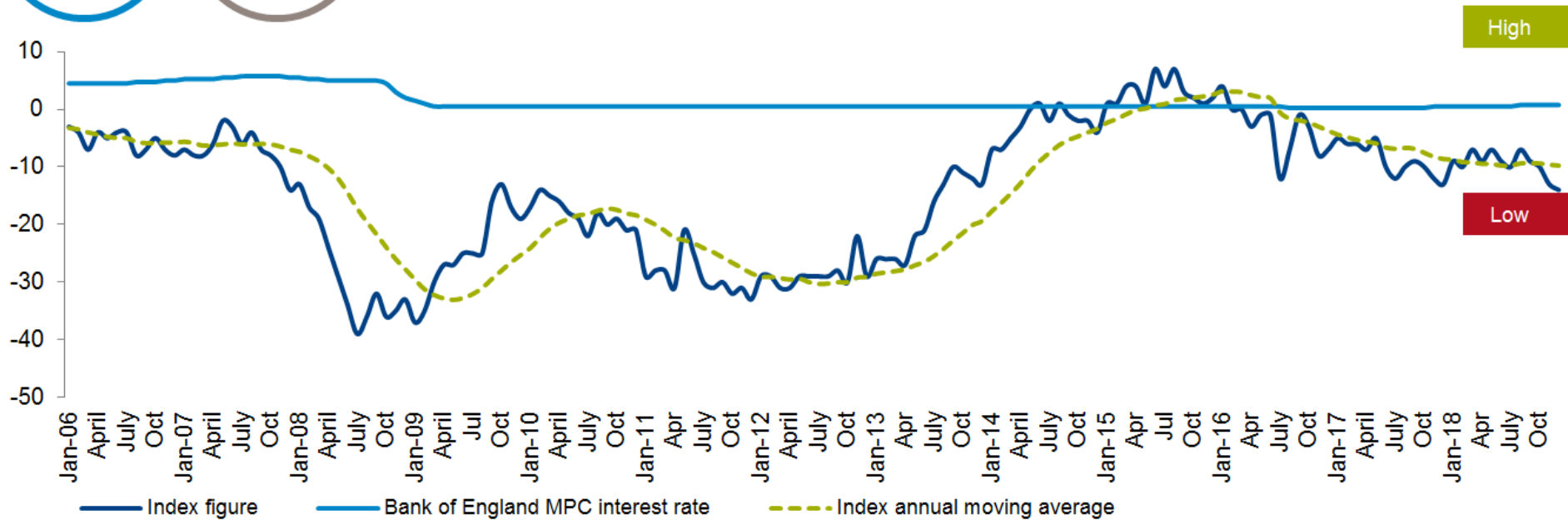
Source: GOV.UK

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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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