

“building **excellence**
in materials supply”

Including
**Plumbing & Heating
Merchant Index**
See page 69

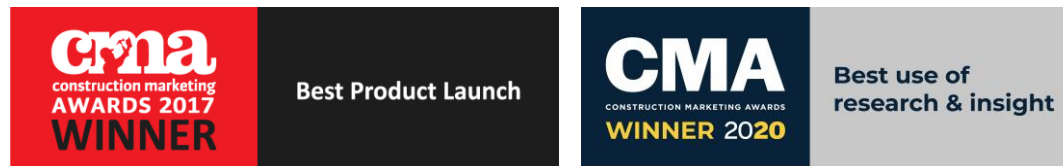
Builders Merchant Building Index



Quarter 1 2021

(Published 26 May 2021)

Building the Industry & Building Brands from Knowledge



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Introduction:

Builders Merchant Building Index



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 relatively small samples or 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. It’s therefore a very good proxy for housing RMI.

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 Research 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: eCommonSense, British Gypsum, Wienerberger, Midland Lead, Polypipe, The Crystal Group, Keylite Roof Windows, Hanson Cement, Keystone Lintels, Knauf Insulation, Dulux Trade and Lakes. This month we welcome two new Experts to the panel: Simon Woods, European Sales Marketing & Logistics Director West Fraser (formerly known as Norbord) speaking for Wood-Based Panels and Krystal Williams, Managing Director Pavestone UK Ltd speaking for Natural Stone & Porcelain Paving. Meet the Experts [here](#) and on pages 22 to 35 of this report.

First anniversary of Covid-19 – additional charts tracking performance over two years.

When the Government announced the start of ‘Lockdown 1’, which took effect from 24 March 2020, it failed to make it clear that construction trades were not required to stop work. As a result, most of the Merchant market shut down – only starting to re-emerge towards the end of April 2020. This resulted in revenue falling sharply, especially in April 2020. Consequently, year-on-year comparisons with that period will show significant gains. Taken on face value these gains could be considerable but, with last year being so weak, it will be difficult to assess just how good this year’s figures really are.

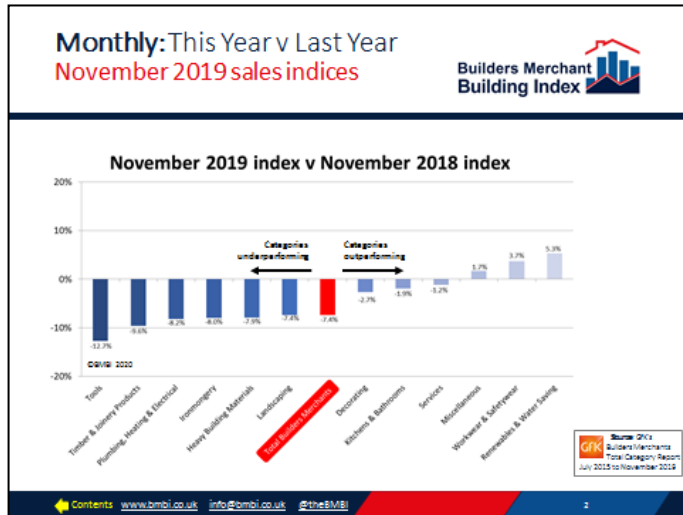
By also looking back over two years, it will be possible to see how well the market is performing – by benchmarking 2021 against more normal trading conditions and validating the strength of this year’s trading. This BMBI report includes additional comparisons between 2021 and 2019 for March and Q1, making it possible to assess how well the industry has recovered. Future BMBI reports will continue to look back over two years until we are beyond last year’s economic turmoil.

Trading day differences explained

BMBI reports track changes in Merchants' performance over a variety of time periods. However, the number of trading days in a period can change how we judge relative performance. More trading days in a month could boost total sales, whereas the level of sales a day could be lower.

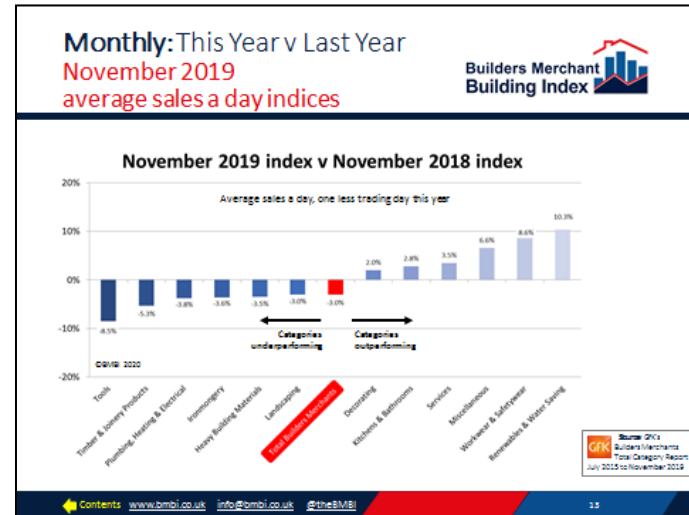
So, it's useful to also show average sales a day so we can compare apples with apples. Where trading days are different, we include two charts for the particular period under review:

Direct comparison of sales indices:



The first of the two charts directly compares revenue in the two periods, regardless of the number of trading days. Total Builders Merchants sales (the red column) were 7.4% lower.

Average sales a day indices comparison:



In the second chart, revenue has been divided by the number of trading days. In this example, revenue in November 2019 has been divided by 21 days, revenue November 2018 by 22 days and the results compared, showing a 3.0% fall in Total Builders Merchants sales activity (the red column) stripped of trading day differences.

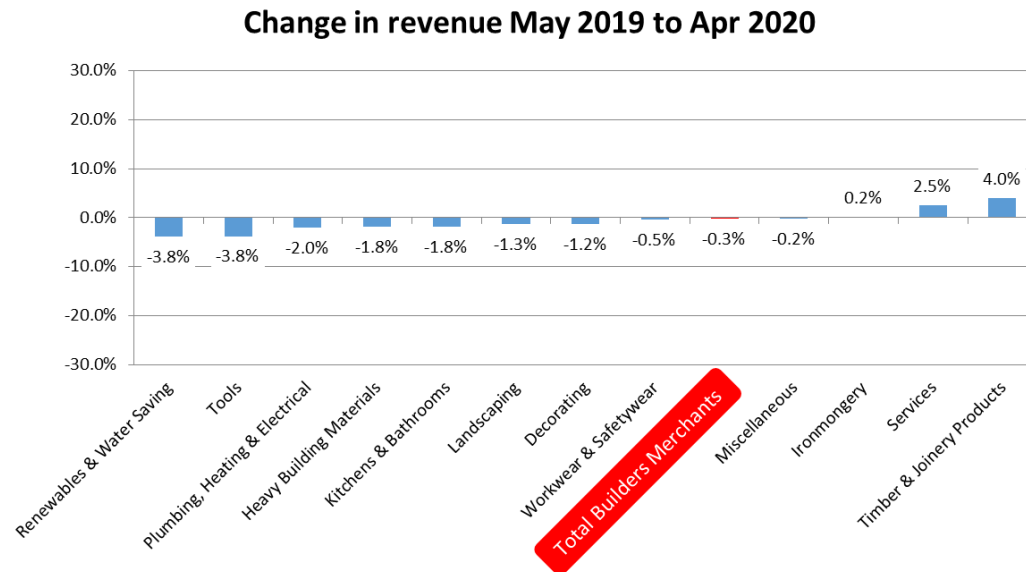
The charts provide two valid views of the same data. Direct comparisons (on the left) show what happened in absolute numbers – average sales a day (on the right) enables trading day differences to be set aside.

GfK's Builders Merchant Panel update



After almost six years without change, GfK's Builders Merchant Panel, which powers the Builders Merchant Building Index, saw three merchants leave and three join in Spring 2020. A lengthy transition period took place in the background and as a result, data covering January 2019 onwards now reflects the new panel. This has ensured the robust nature of the Builders Merchant Building Index has been maintained.

The overall impact of the changes was very small, with total revenue for the 12 months May 2019 to April 2020 being just -0.3% different to that previously published. Individual categories had mostly small changes, some a little up and some a little down, depending on the mix of sales contributed by the joining and leaving merchants. Small category Renewables & Water Saving was more significant, and only Timber & Joinery Products and Tools among the main categories were appreciably different, as illustrated in this chart.



The tables and charts in this report use the refreshed data from January 2019 onwards. For example, the values in March and April 2020 in the Indices tables on pages 10 and 37 are marginally different to those in reports published prior to May 2020. The charts on pages 11, 38, and 49-60 incorporate the new values from January 2019 onwards but the differences are relatively small.

Incorporating the new data back to January 2019 has also meant that year-on-year, month-on-month, year-to-date and (from December 2020) MAT comparisons are all calculated using the refreshed data throughout, to ensure accurate reporting – a hallmark of the Builders Merchant Building Index.

If you have questions on the changes email Tom@mra-marketing.com or Emile.van-der-Ryst@gfk.com

Overview and Insights

Emile van der Ryst,

Senior Client Insight Manager - Trade, GfK



A new year has brought optimism to life across the UK, with the vaccine rollout and easing restrictions giving us a first glimpse of future normality. During these first three months the Builders Merchants industry has benefitted from being deemed an essential service, and if anything, is starting to be more affected by the indirect repercussions of the global pandemic.

To say the first quarter has gone well is an understatement, but it needs to be put into perspective by looking at both 2019 and 2020's performance. January was down -3.7% versus last year, with February seeing growth of 2.3%. March however was a record month for the industry, increasing by 47.4% against March 2020 and 23.0% against March 2019, albeit with 2 extra trading days against the latter. When recalculated to take into consideration March trading days in 2019 and 2021, the market still increased by 12.3%.

Looking further into March some noteworthy trends can be observed. The monthly BMBI report highlights the top-level categories being tracked in the market, but there's also 74 lower level categories that feed into these. Examples would include Timber feeding into Timber & Joinery and Bricks feeding into Heavy Building Materials. Thirty seven of those 74 lower-level categories saw record sales during March 2021, with some of the big hitters including Timber, Bricks, Aggregates, Insulation, Cement and Plasterboard. It was however not only the core categories seeing record sales, but also areas such as Toolhire / Hire Services, Plumbing Equipment, Power Tools, Hand Tools and Boilers, Tanks and Boiler Accessories.

All of this results in a Q1 growth of 15.1% against Q1 2020 and 6.0% against Q1 2019. Timber & Joinery drives growth against 2020 with an increase of 30.5%, with Heavy Building Materials and Landscaping up by 10.3% and 41.4% respectively. Ironmongery, Services, Tools and Plumbing, Heating & Electrical were the other areas to see growth.

As mentioned, the industry might now become more affected by the indirect repercussions of the pandemic. Stock shortages are front and centre with pent up demand leading to a buying frenzy. RMI is expected to be the main driver during the first half of the year and it could very well remain that way throughout 2021. Q2 figures should see massive growth due to last year's first lockdown, with the remainder of the year very difficult to predict at this stage.

“March was a record month for the industry, increasing by 47.4% against March 2020 and 23.0% against March 2019, albeit with two extra trading days against the latter.”

Merchants' View

John Newcomb, CEO BMF



The first three months of the year may have seen the country again in lockdown but even this could not prevent a boom in construction activity.

Some of this growth reflects the extreme impact of the first lockdown, which began on 23 March 2020, but the current positivity within the industry goes way beyond this. We can also see long-term behavioural changes set in train by the pandemic reflected in the current statistics.

For example, new-build warranty registrations with NHBC increased by 10% in Q1 2021 compared with the same period in 2020. We can also see demand for detached and semi-detached housing has increased, with registrations up by 18% and 30% respectively, while 21% fewer apartments were registered. The figures may also reflect a desire to move out of city centres. Nine out of 12 UK regions saw increased registrations, with London (-29%), West Midlands (-21%) and Wales (-14%) the only fallers.

The Office of National Statistics (ONS) figures show continued quarter on quarter growth, with construction output in Q1 2021 growing by 2.6% compared with Q4 2020, with growth in new work (+2.8%) and repair and maintenance (+2.2%).

The ONS also confirmed that following monthly growth in March 2021, the level of construction output recovered to 2.4% above its pre-pandemic February 2020 level. While RMI was 7.7% above February 2020, new work remained 0.5% below, with a mixed profile of recovery across different work types. The work carried out by most merchant customers shows the highest levels of recovery with new private housing (+7.2%), private housing R&M (+16.1%) and private non-housing R&M (+5.6%).

The Federation of Master Builders (FMB) State of Trade confirms this surge, with 55% of respondents reporting higher workloads and enquiries for future work (70%) increasing at the fastest rate in more than 10 years. However, increases in product demand brings its own issues, with 93% of builders reporting price increases and longer lead times for delivery.

The Construction Leadership Council Product Availability Group, which I co-chair, is extremely conscious of these problems and now issues monthly updates to assist with planning. While this is a positive start to the year, the impact of product demand and supply will be a recurring theme throughout 2021.

“The first three months of the year may have seen the country again in lockdown but even this could not prevent a boom in construction activity.”

Quarterly: Index and Categories


Quarter 1 2020* to Quarter 1 2021

(Indexed on July 2014 to June 2015)



QUARTERLY SALES VALUE INDEX	Index	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Total Builders Merchants	100	104.9	76.4	124.6	111.1	120.7
Timber & Joinery Products	100	108.5	78.0	133.4	125.4	141.5
Heavy Building Materials	100	102.5	75.1	119.9	106.8	113.1
Decorating	100	101.1	56.3	108.5	99.5	101.1
Tools	100	86.0	41.0	94.4	90.7	99.6
Workwear & Safetywear	100	128.7	67.5	113.7	113.3	117.3
Ironmongery	100	112.9	65.0	123.2	112.6	119.3
Landscaping	100	100.1	138.8	175.5	112.1	141.5
Plumbing, Heating & Electrical	100	118.5	53.9	104.6	116.0	122.9
Renewables & Water Saving	100	76.6	31.5	66.4	62.6	70.3
Kitchens & Bathrooms	100	109.4	48.4	111.6	109.8	107.5
Miscellaneous	100	129.1	63.3	111.0	108.6	115.9
Services	100	104.8	72.8	115.9	107.3	110.4

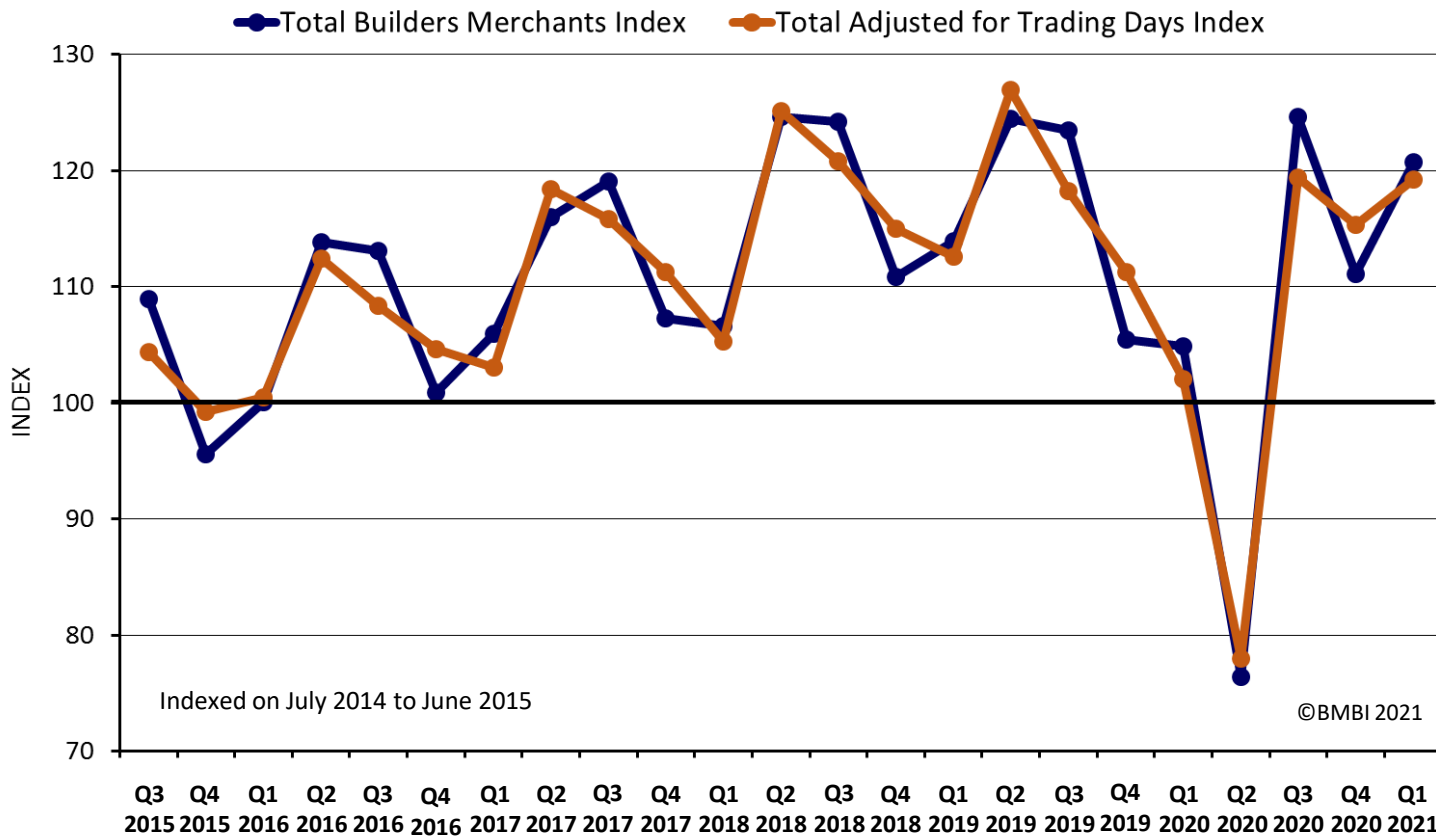
*Click the web link below to see the complete series of quarterly indices from Q2, 2015.


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Quarterly: Index

Adjusted and unadjusted for trading days

Total Builders Merchants Index v Total Adjusted for Trading Days Index



 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

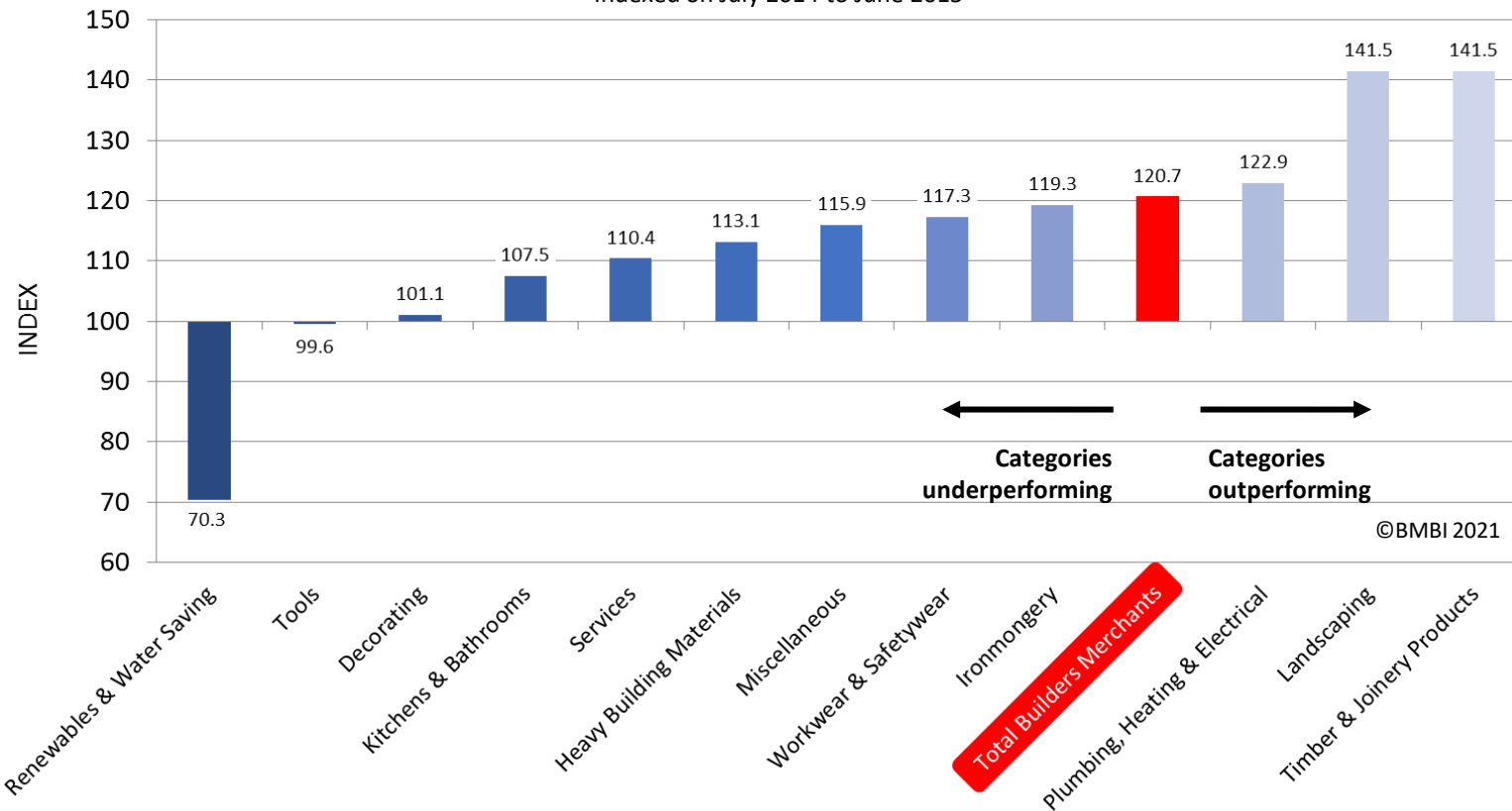
Quarterly: Index and Categories

Q1 2021 index



Quarter 1 2021

Indexed on July 2014 to June 2015



GfK Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

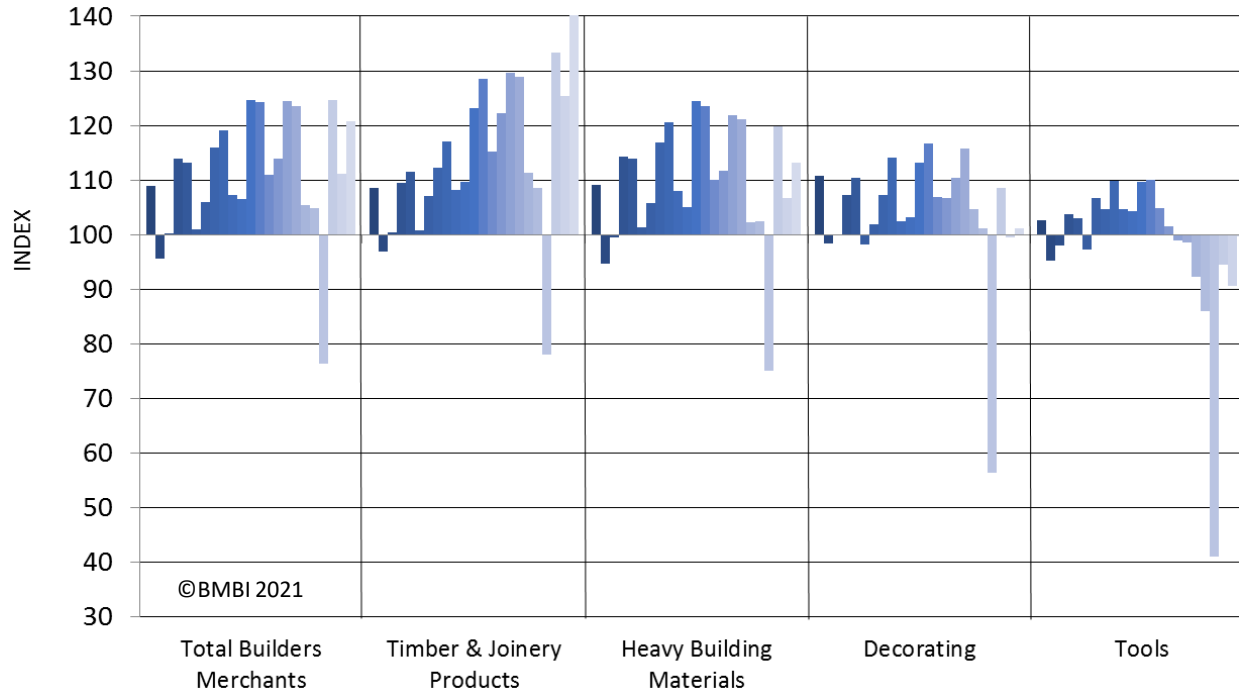
Quarterly: Index and Categories

Quarterly indices



Quarterly Indices Q3 2015 to Q1 2021

- Q3, 2015
- Q4, 2015
- Q1, 2016
- Q2, 2016
- Q3, 2016
- Q4, 2016
- Q1, 2017
- Q2, 2017
- Q3, 2017
- Q4, 2017
- Q1, 2018
- Q2, 2018
- Q3, 2018
- Q4, 2018
- Q1, 2019
- Q2, 2019
- Q3, 2019
- Q4, 2019
- Q1 2020
- Q2 2020
- Q3 2020
- Q4 2020
- Q1 2021



Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

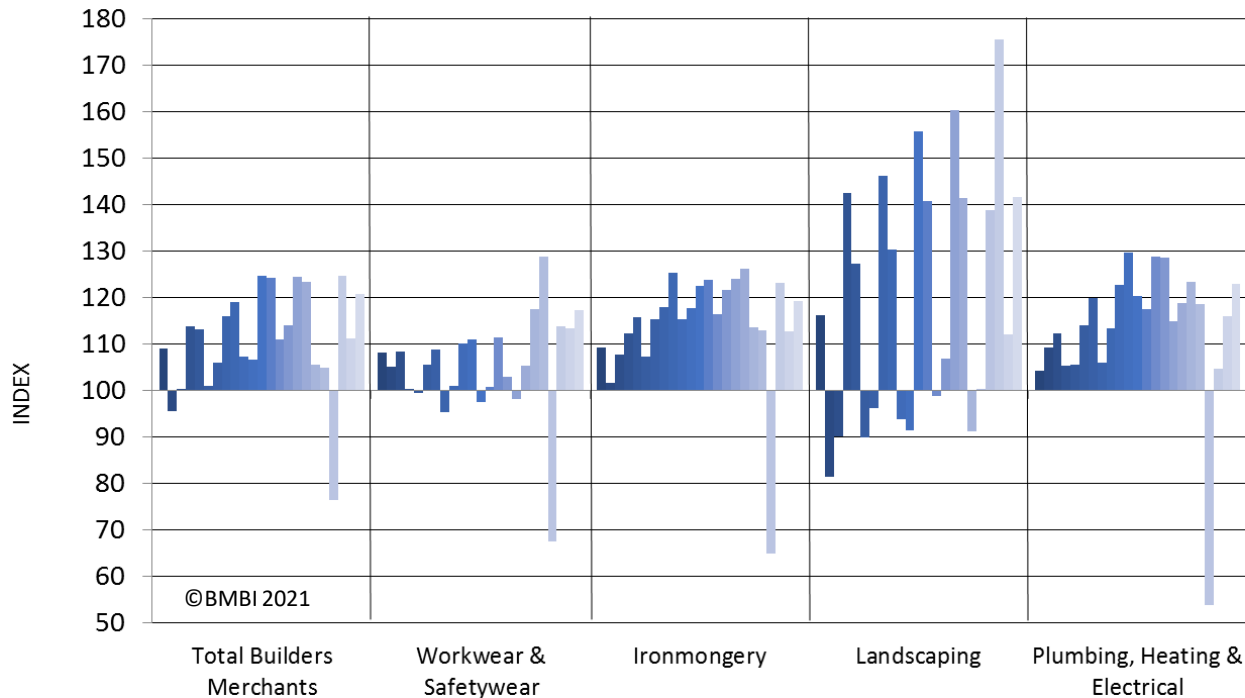
Quarterly: Index and Categories

Quarterly indices



Quarterly Indices Q3 2015 to Q1 2021

- Q3, 2015
- Q4, 2015
- Q1, 2016
- Q2, 2016
- Q3, 2016
- Q4, 2016
- Q1, 2017
- Q2, 2017
- Q3, 2017
- Q4, 2017
- Q1, 2018
- Q2, 2018
- Q3, 2018
- Q4, 2018
- Q1, 2019
- Q2, 2019
- Q3, 2019
- Q4, 2019
- Q1 2020
- Q2 2020
- Q3 2020
- Q4 2020
- Q1 2021



©BMBI 2021

Source: GfK's Builders Merchants Total Category Report July 2015 to March 2021

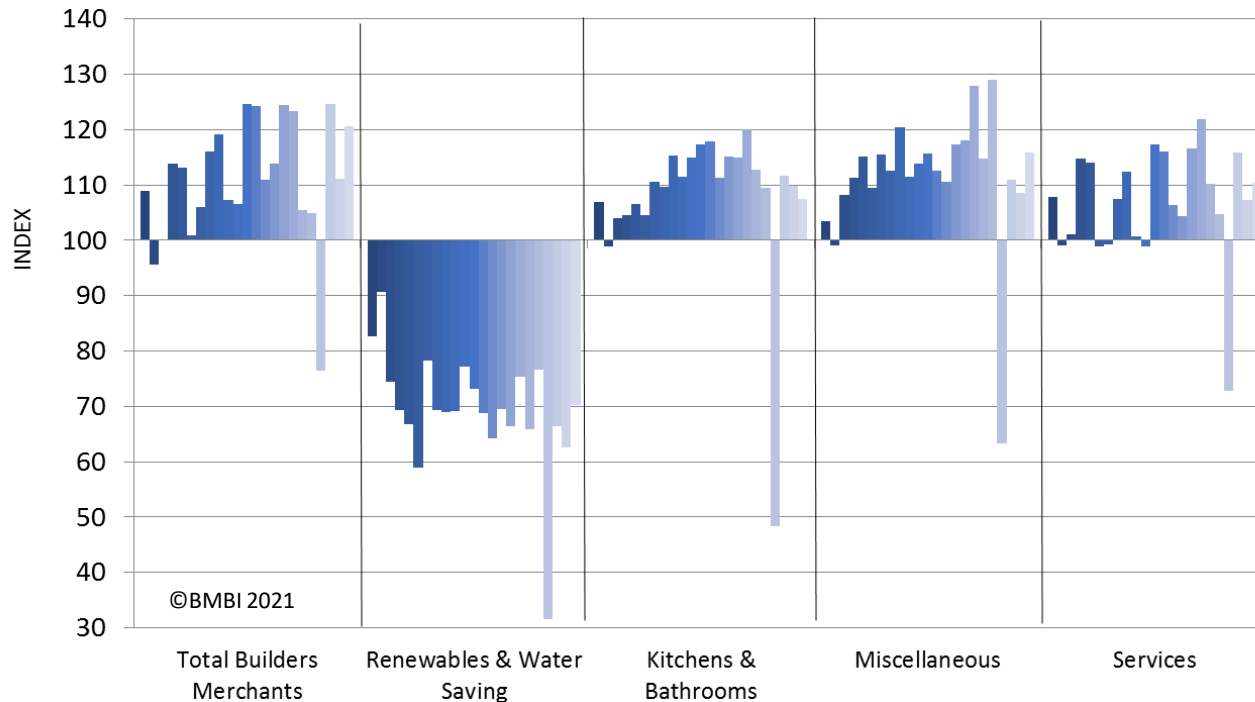
Quarterly: Index and Categories

Quarterly indices



Quarterly Indices Q3 2015 to Q1 2021

- Q3, 2015
- Q4, 2015
- Q1, 2016
- Q2, 2016
- Q3, 2016
- Q4, 2016
- Q1, 2017
- Q2, 2017
- Q3, 2017
- Q4, 2017
- Q1, 2018
- Q2, 2018
- Q3, 2018
- Q4, 2018
- Q1, 2019
- Q2, 2019
- Q3, 2019
- Q4, 2019
- Q1 2020
- Q2 2020
- Q3 2020
- Q4 2020
- Q1 2021

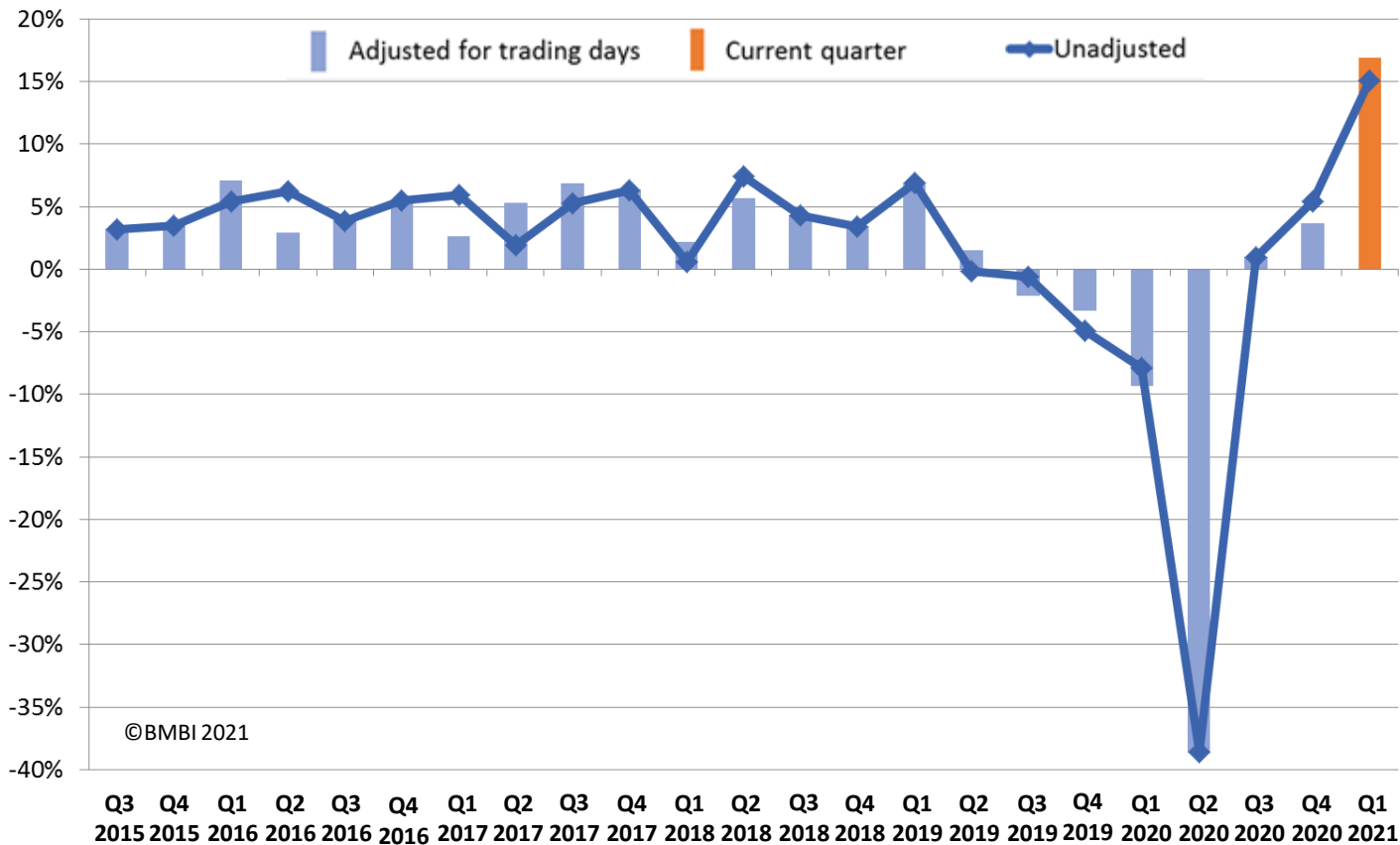


Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Quarterly: Sales Indices

Adjusted and unadjusted for trading days

Quarterly Indices: Year on Year



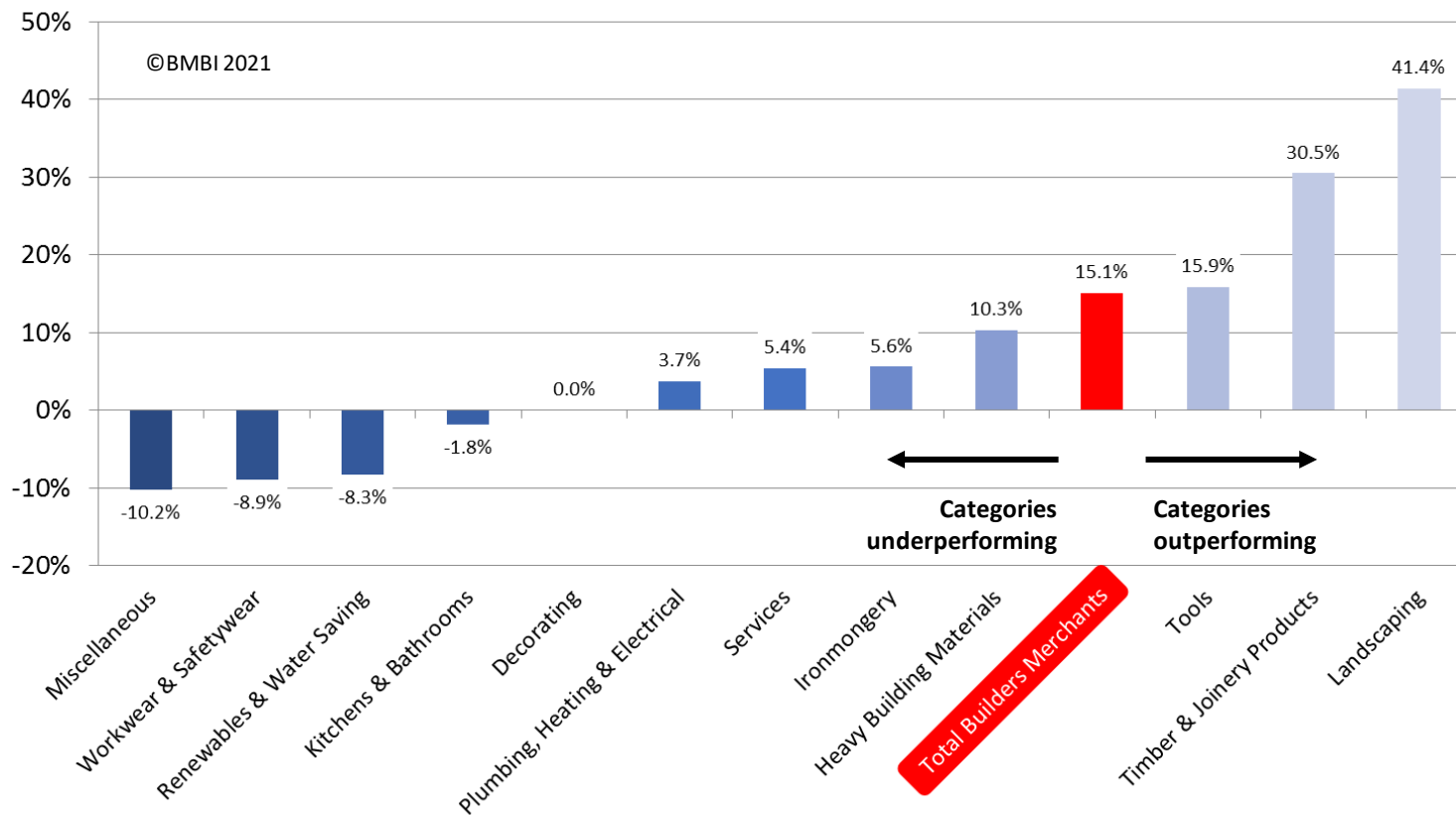
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Quarterly: This Year v Last Year

Q1 2021 sales indices



Quarter 1 2021 index v Quarter 1 2020 index



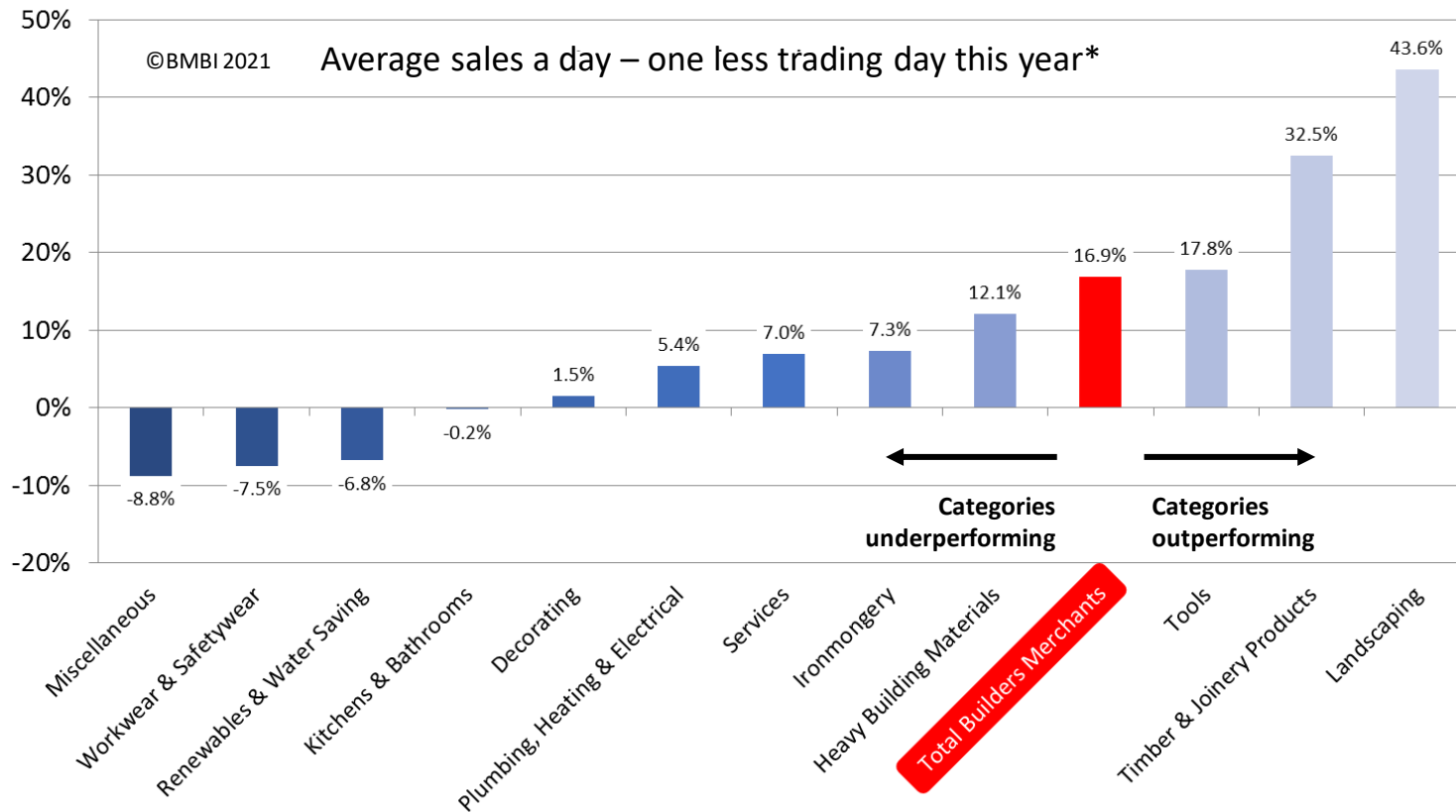
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Quarterly: This Year v Last Year

Q1 2021 average sales a day indices



Quarter 1 2021 index v Quarter 1 2020 index



Source: GfK's Builders Merchants Total Category Report July 2015 to March 2021

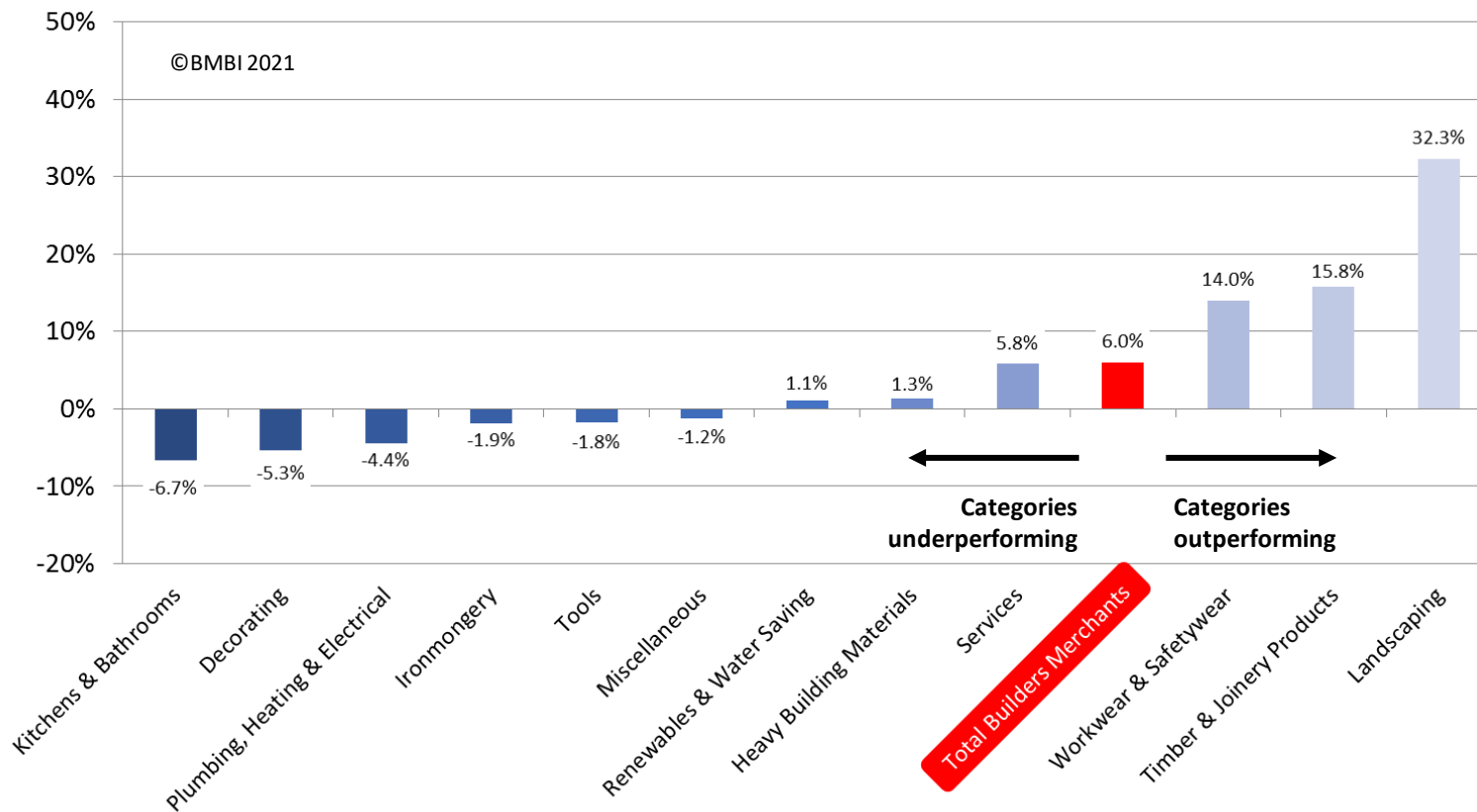
*Some merchants temporarily closed branches between March and May 2020 and this will have affected trading day comparisons.

Quarterly: This Year v Q1 2019

Q1 2021 2-year sales indices



2-year comparison: Quarter 1 2021 v Quarter 1 2019



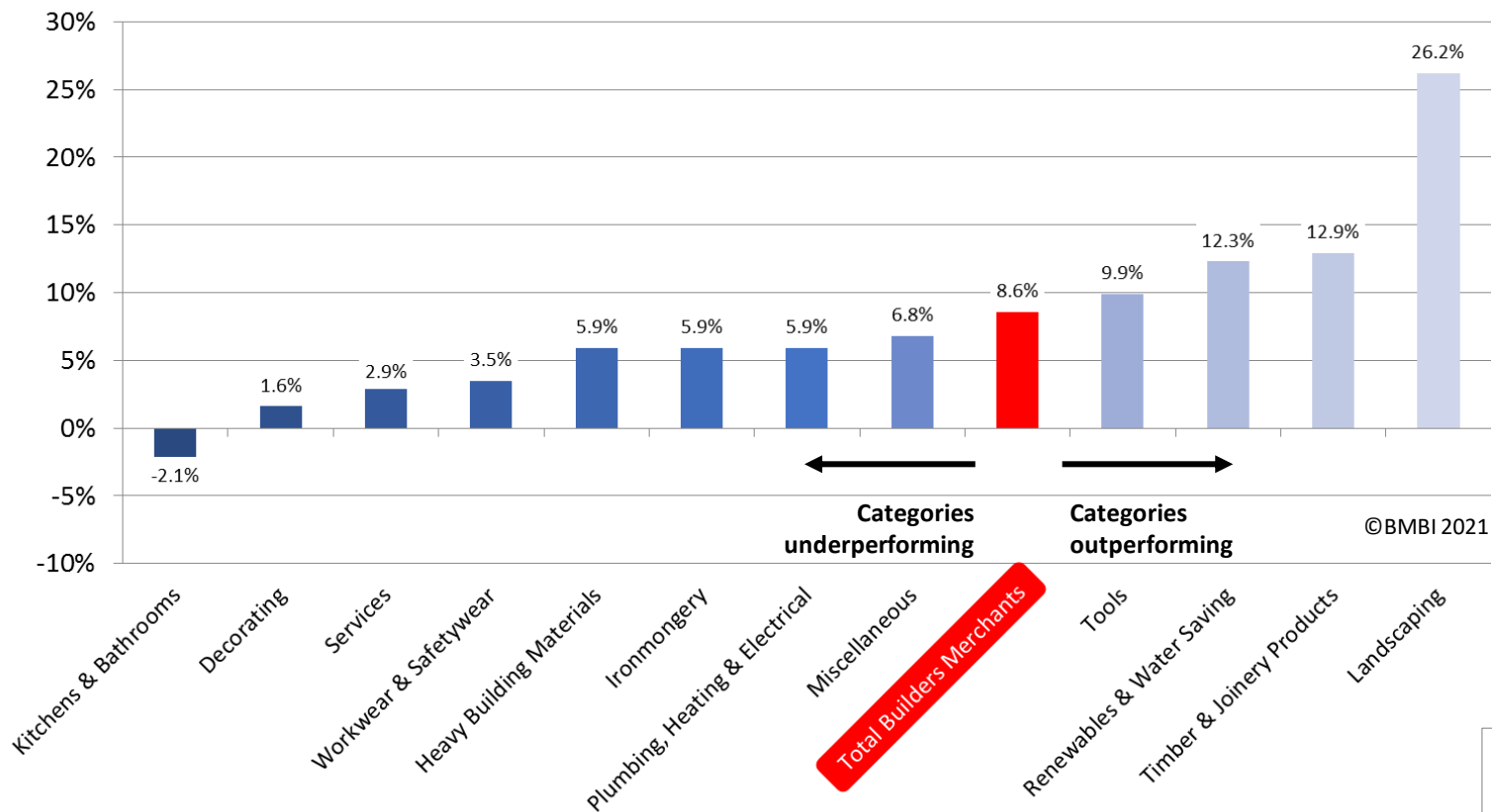
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Quarterly: Quarter on Quarter

Q1 2021 sales indices



Quarter 1 2021 index v Quarter 4 2020 index



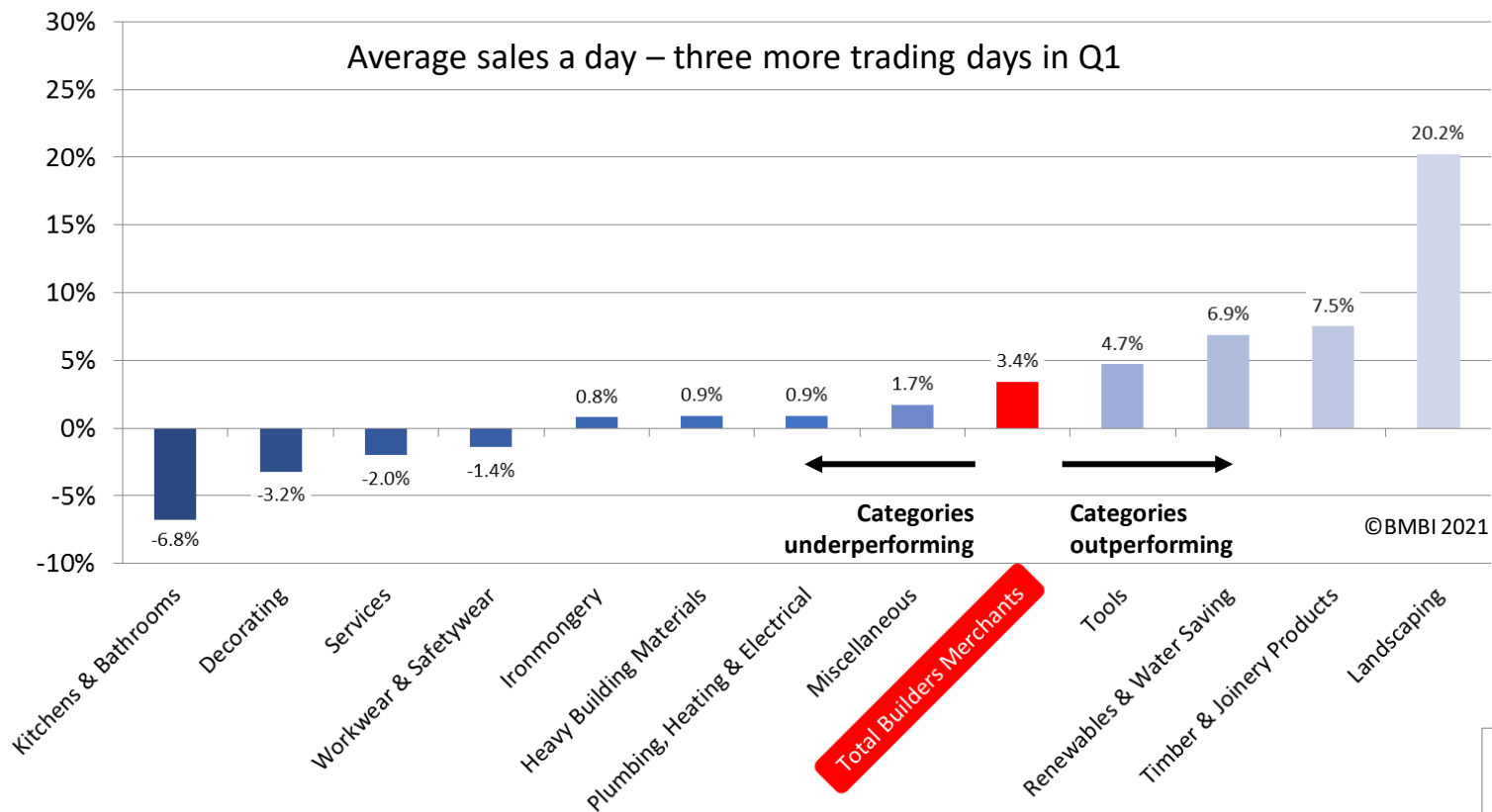
GfK Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Quarterly: Quarter on Quarter

Q1 2021 average sales a day indices



Quarter 1 2021 index v Quarter 4 2020 index



Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Expert Panel

Wood-Based Panels

(Part of Timber & Joinery Products)



Simon Woods, European Sales Marketing & Logistics Director West Fraser (formerly known as Norbord) is BMBI's Expert for Wood-Based Panels.

Over recent months, Merchants and DIY stores have seen demand outstrip supply of most timber products, leaving a feeling of lost sales opportunities in most areas. Couple this with shortages of some of the key raw materials used in the manufacturing processes, and we are all in the middle of the perfect storm... and it feels like we are inappropriately dressed for it!

As we move into Q2, demand for all forms of timber products is at an all-time high – at least if pricing is anything to go by. To put this demand surge into perspective, builders' merchants Q1 2021 sales of Timber & Joinery products are 30.5% up on Q1 2020, and also up 15.8% on the same quarter in 2019!

The increase in demand has many facets. The move to wood as a Carbon Friendly resource, the drive towards home improvement (research suggests between 50%-60% of people in the UK, depending on their location, are planning some form of home improvement) and the swing towards larger new houses, are just some of the drivers of the increases we are experiencing.

From a wood-based panel perspective (OSB, MDF, and PB) the manufacturing sector is doing all it can to improve production by removing slower to produce products, increasing facility utilisation and reducing engineering downtime where possible. However, it is unlikely to be enough to fill the void and most commentators are suggesting that the current imbalance in supply and demand will last for the next 12 months or more.

Particle board is being affected on more than one front. The demand for general flooring PB is high, which is causing its own problems within the supply chain. However, the demand for Kitchen, Bedroom and Bathroom renovation is causing a much more severe situation. Almost all of the carcasses used in Kitchens, Bedrooms and Bathrooms are manufactured using Particle Board and manufacturers are diverting volumes in that direction, to keep up with demand, exacerbating the issues on Flooring PB in the process.

2021 is shaping up to be a year of both optimism and frustration for all sectors of the timber market. But strong planning partnerships across the whole supply chain will help to smooth the inevitable choppy waters.

“The move to wood as a Carbon Friendly resource, the drive towards home improvement and the swing towards larger new houses, are just some of the drivers of the increases we are experiencing.”

Expert Panel

Natural Stone & Porcelain Paving

(Part of Landscaping)



Krystal Williams, Managing Director Pavestone UK Ltd, is BMBI's Expert for Natural Stone & Porcelain Paving.

First quarter market demand is significantly ahead of last year, with volumes more than double compared to Q1 2020. During the first and third lockdowns, homeowners have been spending big on their outdoor spaces and we are hearing that many landscapers have full order books to Christmas 2021.

This unprecedented demand has brought immense challenges. We have seen threefold increases in shipping costs, still poised to rise further, as well as container shortages and port congestion limiting exportable volumes and resulting in surcharges on (what feels like) a weekly basis.

Within the industry there are mixed opinions about whether the high shipping costs will last. Some feel the inflated costs and disruptions will be the new normal for the UK for the next few years, while others hope things might settle down by the new year.

To add to the industry's woes, most of the UK's sandstone comes from India and with the country battling to bring COVID infection rates under control, our partners on the ground estimate that just 30% of workers are available as many have entered voluntary self-isolation or forced lockdown. The labour shortage affects the stone processing volume, the timber used for the packaging and available transportation to port. The result has been increased procurement prices.

We are hopeful that India's ports and factories can avoid a national lockdown, and supplies will still get through albeit at a very reduced rate. But if they do have to close, there will be even more stock issues, with pressure on manufacturers reliant on product they only have on the water (4-5 weeks in most cases).

While supply is challenging, we are encouraging merchants to move away from just-in-time and start planning, and to explore more stable alternatives such as porcelain. Alongside India, porcelain is mostly imported from Italy and Poland, which avoids cheap but unsuitable (not anti-slip) products from Turkey and Egypt.

Increased demand has broadened the scope of what homeowners will look for and what merchants can sell and achieve with landscaping products. The boundaries have been pushed and hopefully this will continue.

“During the first and third lockdowns, homeowners have been spending big on their outdoor spaces and we are hearing that many landscapers have full order books to Christmas 2021.”

Expert Panel

Bricks & Roof Tiles

(Part of Heavy Building Materials)



Kevin Tolson, Commercial Director Wienerberger UK is BMBI's Expert for Bricks & Roof Tiles.

The New Year ushered in a new, mostly unwelcome lockdown and as a result, trade sales started slowly in Q1. This was further compounded by bad weather in February.

Fortunately, March saw a bounce back in demand and the strong performance has continued into the spring months. The economic forecasts from the Bank of England are positive and have given rise to a resurgence in housing developer activity.

The Government's scrapping of the Green Homes Grant Scheme after just a few months was a blow to the industry. It removes an important stimulus for achieving the nation's carbon reduction targets, particularly after announcing an ambitious new target to cut carbon emissions by 78% by 2035.

Disposing of the Green Homes Grant Scheme follows the demise in 2015 of its predecessor, the Green Deal. Both were axed because of extremely low take up. Both were soft launches, so not many people knew that much about them. They were not without their complexities and it was expected that installers and the supply chain would make them work, yet most of the industry was left out of the consultation process which could have revealed practical flaws that could have been ironed out. The problem is now more urgent. Britain's 26 million strong existing housing stock is older and less energy efficient than most countries in Europe and unless it is improved it's hard to see how the UK can meet its ambitious targets.

Housebuilders, housing associations and homeowners will likely look to existing and new materials to improve the energy efficiency and performance of their homes. As manufacturers we must continue to innovate and offer products and systems which improve building performance but without compromising on cost, quality, or aesthetics.

Overall, the sector has been buoyed by the continued enthusiasm for RMI, building on the trend of 'improve don't move' popularised in 2020. Considering the three greatest barriers to buying a new home are earnings, deposits, and mortgage availability*, it seems as though continued stamp duty holidays and mortgage guarantee schemes are still not quite enough to stall the trend of homeowners investing in and improving their current abodes.

*source Homebuyers Report: Money.co.uk

“March saw a bounce back in demand and the strong performance has continued into the spring months. The economic forecasts from the Bank of England are positive and have given rise to a resurgence in housing developer activity.”

Expert Panel

Civils & Green Infrastructure

(Part of Heavy Building Materials)



Steve Durdant-Hollamby, Managing Director Polypipe Civils is BMBI's Expert for Civils & Green Infrastructure.

As the industry eases out of lockdown, there is a real sense that the way we conduct business and execute some of our commercial functions has changed. Quite what the legacy of this Covid-accelerated evolution of workplace practice will be is difficult to determine, but it has revealed how - under the right stewardship – businesses can adapt quickly and change – areas in which construction has previously struggled.

Covid has helped us better understand the importance of holistic wellbeing. It is all too easy to forget that the dynamic between home and work, isolation and human interaction, urban space and natural environment needs balance, and we must work hard to maintain it. That said, more traffic on the roads and getting stuck in tailbacks, is a sobering reminder of pre-Covid life. Productivity, for those business maintaining operations through the pandemic, has risen with the obvious absence of out of work distractions. It will be interesting to see if these output levels can be sustained.

Confidence in the efficacy of the vaccination program will see many sites return to near normal practice. Face-to-face meetings to work through issues and re-establish relationships are welcome benefits, but it will highlight the skills and labour shortages that existed across construction before lockdown. Wage inflation in construction could become a significant challenge.

With strong order activity across all sectors, inflationary pressure is coming from supply shortages. Evidenced through a rise in pre-ordering to offset potential site delays, the impact is being felt through the supply chain, with material supply pressures becoming increasingly acute.

As Covid and its dominance of media headlines recedes, we can already see the impact of Brexit being more widely discussed and climate change moving back centre stage. Recent government announcements on net zero and Biodiversity Net Gain planning policy coming into force, are rightly turning eyes to COP26 in Glasgow in November as a potential watershed moment for our industry.

COP26 is our opportunity to show the global community how our built environment is being re-imagined and re-purposed through our uptake of new technologies and new design approaches, like green urbanisation, which can deliver targeted levels of health, wellbeing, and sustainability.

“With strong order activity across all sectors, inflationary pressure is coming from supply shortages. Evidenced through a rise in pre-ordering to offset potential site delays, the impact is being felt through the supply chain, with material supply pressures becoming increasingly acute.”

Expert Panel

Steel Lintels

(Part of Heavy Building Materials)



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

Build, Build, Build! In Q1 2021, we experienced Lockdown 3.0 and once again the construction industry upped its game and performed to new levels, with steel lintel purchases showing double digit growth on the same period in 2019.

There's lots of factors behind this strong Q1 performance. The UK's vaccination rollout continues to be a great success compared to other countries. The extension of the stamp duty holiday, increased availability of low interest mortgages and many other factors have contributed significantly to a strong new build and RMI market. House prices are increasing, and buyer demand is there.

In my comment at the end of Q4 2020, I stated 'we are seeing raw material steel prices increase at rates never seen before, and the futures market shows no sign of receding'. We can report at the end of Q1 2021 that prices are indeed continuing to rise at exceptionally high rates – rates we've never seen before – and the availability of steel is a real day-to-day challenge. The supply chain is working, however the volumes required to satisfy demand are not aligned with the supply of material. The next few months will be a balancing act for sure, and the allocation of finished goods will be required to make sure both the new build and the RMI market receive steel lintels.

On the specification side, we have seen a 60%+ uplift in demand for our thermal performing lintel range, compared to the same period in 2019. Under the new Building Regulations, Part L requires a 31% improvement in CO2 targets, meaning that the fabric of the building remains one of the key areas for the building industry to improve on.

As builders actively review their specifications to meet the new requirements, our technical teams are working with energy assessors to provide the best, most cost-effective solutions. The future looks bright.

**“Build, Build, Build!
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Expert Panel

Drylining Systems

(Part of Heavy Building Materials)



Stacey Temprell, Marketing Director British Gypsum is BMBI's Expert for Drylining Systems.

The first quarter sales performance was much stronger than the same period last year, which was impacted by the start of the first national lockdown. Encouragingly, it's also above that in 2019, which provides a better comparison. Forecasts indicate a faster and stronger recovery for the UK economy due to the effectiveness of the Covid-19 vaccination programme and the strength of government support for industry and business. However, there is considerable uncertainty as the true impact of the pandemic on consumer and business confidence, economic growth and unemployment becomes clearer.

The speed and strength of the recovery in construction is driving strong demand. This, coupled with challenges for some raw materials in the global supply chain due to the pandemic, and import delays because of changes in procedures post Brexit, has led to lengthening lead times and price inflation for many construction materials. These include timber, plastics, and steel.

These circumstances have combined directly to affect supplies of steel to our metal supplier, consequently depleting the comfortable buffer of stock we typically keep in our supply chain.

However, we should be thankful for the strong recovery in construction. I know all of us are working incredibly hard to meet this demand and fuel the recovery.

While we navigate our short term supply challenges, we are continuing to invest in the future, leading the drive for industry-wide improvements in building standards that in turn create better building outcomes for all.

The events of the last twelve months have changed many aspects of our lives. The quality of the air we breathe inside, and its impact on our health, is now an increasingly common topic of discussion within the building sector. As such, we're seeing more interest in products that reduce airborne pollutants and improve air quality.

It's likely the question of indoor air quality will remain at the forefront of consumers' and contractors' minds over the coming months and years. Materials and products that reduce or eliminate pollutants, such as VOCs, are therefore likely to see sustained higher demand in the future for both new build and refurb projects.

“The speed and strength of the recovery in construction is driving strong demand. This, coupled with challenges for some raw materials in the global supply chain ... has led to lengthening lead times and price inflation for many construction materials.”

Expert Panel

Mineral Wool Insulation

(Part of Heavy Building Materials)



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

Confidence in the sector is sky-high, with a healthy recovery forecast for construction and manufacturing. In fact, just after the quarter ended the Purchasing Managers Index (PMI) hit levels not seen since 1994. Loosening lockdowns, pent-up projects and ongoing government support for the housing market have turbocharged demand in Q1, with little sign of it abating as the year progresses.

In the face of this voracious demand, supply has become a challenge. Across the board, from timber to plaster, steel to insulation, suppliers have faced a perfect storm of disruption. Lockdowns, Brexit and the Suez Canal blockage have compounded with other factors to restrict raw material flows and inflate costs, even for products manufactured in the UK. That inevitably means price increases for common construction materials and in some cases, it may also mean limited availability.

At Knauf Insulation we are working hard to bring new manufacturing capacity online to increase the supply of high-performance, non-combustible Mineral Wool insulation for our customers in the UK. The non-combustible part is key. In the face of high demand, it's vital that the construction industry doesn't cut corners. We've all seen the headlines from the Grenfell inquiry, and the ongoing turmoil caused by cladding remedial work.

With building regulations changing, the new Construction Products Regulator coming and mortgage lenders and insurers taking a keener interest in material choice, it's clear that the issue of fire safety isn't going away.

The specification teams at larger contractors are already taking action to design out fire risk by using non-combustible insulation. But what about smaller builders? Is an independent installer working on an extension aware of all the risks involved with using certain products, and the potential for future liability issues?

This is where merchants can make a big difference. By asking questions when insulation is purchased, and encouraging the use of naturally non-combustible materials, they can help their customers to deliver better, safer buildings.

“Loosening lockdowns, pent-up projects and ongoing government support for the housing market have turbocharged demand in Q1, with little sign of it abating as the year progresses.”

Expert Panel

Cement & Aggregates

(Part of Heavy Building Materials)



Andrew Simpson, Packed Products Director Hanson Cement is BMBI's Expert for Cement & Aggregates.

The construction industry is experiencing a unique period in its history. Demand across many product sectors, particularly relating to housebuilding, RMI and infrastructure, has skyrocketed. While some would say it's a nice problem to have, the sudden surge is relentless, adding complexity to many businesses and the supply chain.

January and February were as expected but sales took off at the beginning of March and have continued in April and May. This high level of demand is partly due to projects being delayed during lockdown periods, but mainly due to growth in RMI and major infrastructure projects.

Will the surge in RMI continue? Our merchant customers are not expecting a slowdown, and we don't envisage any short or medium-term let up, because homeowners have come to appreciate their homes more and living habits have changed.

Managing high levels of demand is incredibly challenging for businesses, their staff and supply partners. Shortages in packaging and pallets, and the availability of hauliers, add to logistical pressures. Similar demand in Europe is impacting on imports too as they hold onto product for their domestic market.

A recent article in the FT highlighted the threat of strong demand against the Government's strict emission targets, which are impacting the price of carbon credits on the UK Emissions Trading Scheme (ETS). The UK ETS is designed to raise the cost of polluting over time, and is seen as a key pillar of the UK's plans to tackle climate change. Under the new rules, the Government must consider measures to reduce the cost of allowances that companies have to buy to offset their emissions if they consistently trade at more than double their average price of the previous two years. Because there is no domestic carbon price, the government has used the established EU emissions trading scheme to set the trigger price for intervention. Carbon traders and analysts said UK prices were likely to rise sharply to close to or above that of the EU market. CO2 prices hit a record of €55 a tonne in May, rising from €30 a tonne at the start of the year.

While the Government's lead on green issues is commendable, this latest development adds cost pressures to an already challenging environment. Manufacturers have tried to absorb these costs, but as they continue to spiral, it's inevitable that they will now be passed down the supply chain and to the end-user.

“The construction industry is experiencing a unique period in its history. Demand across many product sectors, particularly relating to housebuilding, RMI and infrastructure, has skyrocketed... the sudden surge is relentless, adding complexity to many businesses and the supply chain.”

Expert Panel

Lead

(Part of Heavy Building Materials)



Lynn Street, Sales & Marketing Manager Midland Lead is BMBI's Expert for Lead.

Looking back over Q1, the construction sector saw continued recovery from the previous quarter. It was better than we could have hoped for.

Last year was all about having a plan A and plan B, but we activated plan C. In the event, it wasn't as bad as we anticipated, despite continuous price increases, new import and export legislations, and Covid restrictions.

Turning our attention to the near future, this is summed up in the Spring edition of the latest Construction Product Association State of Trade Survey. The report predicts growth of 12.9% in construction output for 2021, largely driven by increased activity in private housing, infrastructure and repair and maintenance sectors. It also predicts additional growth of 5.2% in activity into 2022*. This is positive news for construction, but it comes with its own challenges. For example, a major project like HS2 can have a knock-on effect on the availability of labour and skills, and hit the wider supply chain, as it can easily dominate resources.

Larger scale projects also bring into focus the overall shortfalls of the labour market. As an industry, we must increase the pipeline of skilled labour through structured training, job opportunities, and keeping the focus on a reliable supply chain. We must continue to work at increasing diversity and encourage recruitment from other industries. It is crucial that construction is promoted as a resilient industry, providing many opportunities and a range of career prospects.

There is also a need for more specialised training facilities. As part of our ongoing commitment to supporting the next generation of roofers, Midland Lead works with a number of training facilities all over the UK. It is this kind of encouragement that we need to build on.

As we are based in an area with low unemployment, we continue to invest in our people by providing transferable training and qualifications – as ever, leading by example when it comes to investing in skills.

We are all becoming experts in making key decisions in these ever changing and challenging times, so let's work together and make the next few months really count towards bridging the future skills gap.

*Source: <https://www.constructionproducts.org.uk/>

“Larger scale projects bring into focus the overall shortfalls of the labour market. As an industry, we must increase the pipeline of skilled labour through structured training, job opportunities, and keeping the focus on a reliable supply chain.”

Expert Panel

PVC-U Windows & Doors

(Part of Timber & Joinery Products)



No.1 for choice • No.1 for colour



Kevin Morgan, Group Commercial Director The Crystal Group is BMBI's Expert for PVC-U Windows & Doors.

As homeowners spend their recently accumulated savings to improve their homes and expand their living space, sales have taken off in Q1. We've had our best quarter ever, particularly for conservatories which provide homeowners with instant extra living space. Looking to Q2, April and May are still trending up in trade, retail, and merchants. But it's having a knock-on.

Supply chain problems are a huge headache and meeting such high demand is challenging. The cost of our key materials and components is rising, glass, steel, PVC-U profile, and hardware. The price of resin, the main ingredient of PVC-U profile is up nearly 70% since March last year. We don't expect resin prices to ease before Q4.

Many manufacturers have passed on these price hikes and surcharges to the customer. We've kept our price rises to 8%, others have gone higher.

Lead times have increased, and the industry is now working with a four week order book. With current supply chain problems, four weeks is manageable.

How is the industry coping? Our production is running two shifts a day, but we need more people. Recruitment is a problem, particularly in the South East where our factory is based. It's a limiting factor in production and back office functions, and that seems to be an industry-wide problem.

After just six months the Government axed the Green Homes Grant. It was a botched scheme: over complicated and under promoted, so few installers signed up. Why would they when they were busy? And any scheme needs time to run. Six months was just a gesture. Double glazing was a secondary measure on the scheme, despite the industry pushing for it to be a primary measure, and it feels very much like a missed opportunity to improve the energy efficiency of homes with old 70s, 80s and 90s windows when Britain needs to stop its housing stock needlessly contributing so much to CO2 emissions. Will there be another Green Something incarnation? Will lessons be learned? We hope so.

The window and door industry is experiencing new growing pains as homeowners change their priorities, but as we stretch to meet new levels of demand, we are adjusting quickly.

“As homeowners spend their recently accumulated savings to improve their homes and expand their living space, sales have taken off in Q1. We've had our best quarter ever, particularly for conservatories which provide homeowners with instant extra living space.”

Expert Panel

Paint

(Part of Decorating)



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

Firstly, I can't quite believe that as I write, we are in the middle of May. Time has just flown by and so much happened in Q1 this year.

We went back into lockdown in January and with furlough extended and businesses closed, DIY home improvements continued to drive growth in the first quarter in our consumer channels. For Trade, Q1 ended +8.3% versus the prior year quarter according to the British Coatings Federation sales indicator. Each month was very different, with a decline in January, modest growth in February, and March driving the growth as Lockdown 3.0 laps Lockdown 1.0.

Feedback from a number of specialist Decorators' Merchants was that consumer footfall was still high in January and February. Specialist decorator footfall started to increase from March and I do hope to report in Q2 that this trend continues.

For Trade specifically, Q1 saw strong growth of masonry paint and exterior woodcare in preparation for the season. Interior trim finishes, primers and undercoats also helped to boost sales. Emulsion paints is the biggest category and the anticipated growth in the new housebuild sector is likely to be one of the reasons for the rise in contract matt sales.

The main story for Q1 is supply. Raw material availability and price increases, force majeure, Covid restrictions, Brexit importation and freezing weather conditions all impacting the ability to supply normal demand, let alone increased demand. Packaging is an ongoing significant challenge.

So with the general volatility likely to continue, and we all know the reasons, what can we all do to best service the market, our merchant and end user customers? Accurate forecasting is key. Demand continues to be greater than supply.

Longer-term forecasting just must be the standard way of operating to allow the whole supply chain to be as efficient and effective as possible.

“The main story for Q1 is supply. Raw material availability and price increases, force majeure, Covid restrictions, Brexit importation and freezing weather conditions all impacting the ability to supply normal demand, let alone increased demand.”

Expert Panel

Roof Windows

(Part of Timber & Joinery Products)



Jim Blanthorne Managing Director of Keylite Roof Windows is BMBI's Expert for Roof Windows.

As we reflect on Q1, a combination of higher than forecast demand, learning to adapt to a post-Brexit customs environment, and material availability challenges would best be described as character building. Team Keylite needed every ounce of our passion, agility and resilience to come out smiling!

Sales performance was generally strong, albeit with a slightly slow start to the year which could be attributed to the understandable stock piling by merchant stockists in Q4 2020 to mitigate Brexit related supply chain risks. As we progressed into mid-January, the situation normalised with the exception of the Republic of Ireland, where construction was locked down, somewhat denting volumes from this market.

Other core markets continued to perform well, bolstered by continued strong demand from the RMI sector together with a marked increase in construction output. Government stimulus in the form of extended stamp duty holidays amongst other measures resulted in the strongest property market in a decade: welcome news for all of us in the business of the manufacture and distribution of building materials.

So what about Brexit? As it happened, shipping was challenging at times but through good relationships with haulage partners and a great deal of planning, we secured most of the capacity we needed. However, Brexit has certainly not come without cost. Customs arrangements (combined with Covid disruption) have resulted in significant surcharges from hauliers, while the administrative burden of reporting on our import and export activity resulted in the need to recruit.

Roof window core materials of timber, PVC, aluminium, glass, foam, plastic and steel components have all seen availability issues or cost increases. Some have seen both. The root causes of Covid, shipping and capacity reductions are well documented. But, speaking for Keylite, we appear to have fared better than some, having largely being able to shelter our customers from the disruption using our significant stock holding at our distribution centres, however cost inflation will inevitably result in upwards pressure on price.

As we enter Q2, the fragility of global supply chains is more apparent than ever. Our commitment is to continue to increase stocks of raw materials, sub components and finished goods to mitigate against this, in support of growing volumes with our loyal customers.

“Brexit has certainly not come without cost. Customs arrangements (combined with Covid disruption) have resulted in significant surcharges from hauliers, while the administrative burden of reporting on our import and export activity resulted in the need to recruit.”

Expert Panel

Shower Enclosures & Showering

(Part of Kitchens & Bathrooms)



Mick Evans, Operations Director Lakes is BMBI's Expert for Shower Enclosures & Showering.

In a market used to thinking of 2-3% up or down as significant, it's been an extraordinary 18 months. March sales were 47% above March 2020 but sales were also 23% ahead of March 2019! Kitchen & Bathroom sales are currently 18.7% ahead of March 2020 but -1.0% below March 2019, as lockdown restrictions hit internal trades harder than external.

However, with restrictions being relaxed, homeowners are feeling more confident about letting tradespeople back into their homes and we expect bathroom fitters to join the RMI party. With pent-up demand and, according to the BoE, an accumulated £200bn in consumer savings, it's already fizzing.

A year at home, in homes that weren't designed for staying in or working from home, has persuaded many to invest more in their homes, so they're 'designed for life'. The housing market is frenetic, and home improvements show no signs of slowing. Better bathrooms and new bathrooms have become a higher priority.

There is also growing demand for more attractive multigenerational products. For example, non-slip stone shower trays, stylishly secure seating, and grab rails which make showering safer for the older and less secure-footed.

As the host of the COP26 climate change conference in Glasgow, there is real emphasis for the UK to lead from the front and inspire action ahead of November.

There are many aspects to sustainability and saving CO2 in practice, and Lakes is proud to have been the first in our sector to be awarded Carbon Neutral Plus certification for our UK operations, for continued commitment to reducing our impact on the environment. We invested significantly in packaging design, and closing the loop for recycling, and reducing carbon miles. Equally, sustainability can apply to delivering high quality products which are designed to last longer, making for happier customers and less waste of materials and resources.

Looking ahead, polls show working from home is unlikely to see a big reversal, and RMI is forecast to grow strongly in the medium to long term. Omnichannel sales are growing strongly, and we expect this to continue. But homeowners often need help, and only know what they want when they're shown it and have it explained by an expert. Are merchants and stockists ready?

“With restrictions being relaxed, homeowners are feeling more confident about letting tradespeople back into their homes and we expect bathroom fitters to join the RMI party.”

Expert Panel

Website & Product Data Management Solutions



Andy Scothern, Managing Director eCommonSense is BMBI's Expert for Website & Product Data Management Solutions.

Online trading in Q1 is outperforming even the most bullish predictions. Data from our clients, whose combined turnover is over £1 billion, shows online revenues doubling across the board. Some witnessed three-fold increases from one month to the next during Q1.

Even merchants who have not yet fully integrated their trade accounts are enjoying large revenue increases. While there is a steady migration from in-branch spend to online, most of the new revenues are coming from a buoyant retail sector, reinforcing previous predictions that customers with large amounts of unspent cash would be using it for home improvements as the country opens up again.

Our best performing client on a pound-for-pound basis is already on target to achieve 25-30% of total business revenues online by the end of 2021 - and that is assuming web sales growth levels off. However, if the pace of increase witnessed in Q1 continues, total online sales could surpass off-line sales by the end of the year, which would represent a significant milestone.

Some are reporting gross profit margins for online sales as high as 48% plus a 5% lower cost to serve, in contrast to an in-branch margin of around 27%. This suggests many merchants will be returning some healthy year-end figures.

There is the potential to further increase share of customer wallets by offering advanced online platforms that provide a frictionless customer experience. Merchant customers spend up to 30% of their time organising the collection and delivery of materials, so if they can reduce the amount of unproductive time, they are more likely to buy from one merchant.

To achieve this, merchants need an integrated online solution that can show stock availability at each branch so customers know where they can get their materials.

The future for builders' merchants with strong online platforms is looking extremely positive with figures showing they can outperform some of the biggest online competitors, especially when they use eCommerce to focus on their geographical trading areas and compete at a hyper-local level.

“Online trading in Q1 is outperforming even the most bullish predictions. Data from our clients, whose combined turnover is over £1 billion, shows online revenues doubling across the board. Some witnessed three-fold increases from one month to the next during Q1.”

Monthly: Index and Categories

March 2020* – March 2021

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



		2020										2021		
MONTHLY SALES VALUE INDEX	Index	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Builders Merchants	100	103.1	29.0	78.7	121.4	131.9	113.3	128.7	126.4	123.5	83.5	100.7	109.4	151.9
Timber & Joinery Products	100	105.0	26.9	80.5	126.7	140.3	120.6	139.3	141.1	139.9	95.2	120.0	128.8	175.7
Heavy Building Materials	100	102.0	30.5	78.5	116.4	125.6	108.6	125.4	122.8	119.4	78.1	95.9	102.0	141.3
Decorating	100	95.2	19.8	54.8	94.4	112.4	100.1	113.1	111.7	110.5	76.2	85.8	95.7	121.7
Tools	100	74.2	8.6	35.1	79.3	99.0	85.8	98.5	101.0	100.0	70.9	84.4	93.7	120.8
Workwear & Safetywear	100	139.1	37.7	66.6	98.2	131.7	98.4	111.1	125.2	126.7	87.9	122.3	111.3	118.2
Ironmongery	100	104.0	27.3	58.9	108.8	128.7	113.6	127.3	127.3	122.9	87.8	103.1	111.5	143.1
Landscaping	100	110.4	40.3	152.5	223.7	208.2	157.2	161.0	135.6	122.8	78.0	90.1	111.9	222.5
Plumbing, Heating & Electrical	100	104.3	25.4	51.8	84.4	103.1	95.3	115.4	126.0	125.9	96.1	111.3	120.3	137.1
Renewables & Water Saving	100	68.6	12.7	26.7	55.1	69.3	58.2	71.9	67.2	70.3	50.4	62.6	62.3	85.9
Kitchens & Bathrooms	100	101.7	14.1	43.7	87.3	111.1	106.3	117.3	119.3	122.7	87.4	94.4	107.4	120.7
Miscellaneous	100	152.6	36.7	55.1	98.0	112.4	98.2	122.3	120.8	118.9	86.1	109.4	107.1	131.2
Services	100	105.3	42.3	70.2	105.9	119.4	109.2	119.2	117.5	115.4	89.0	93.5	103.3	134.5

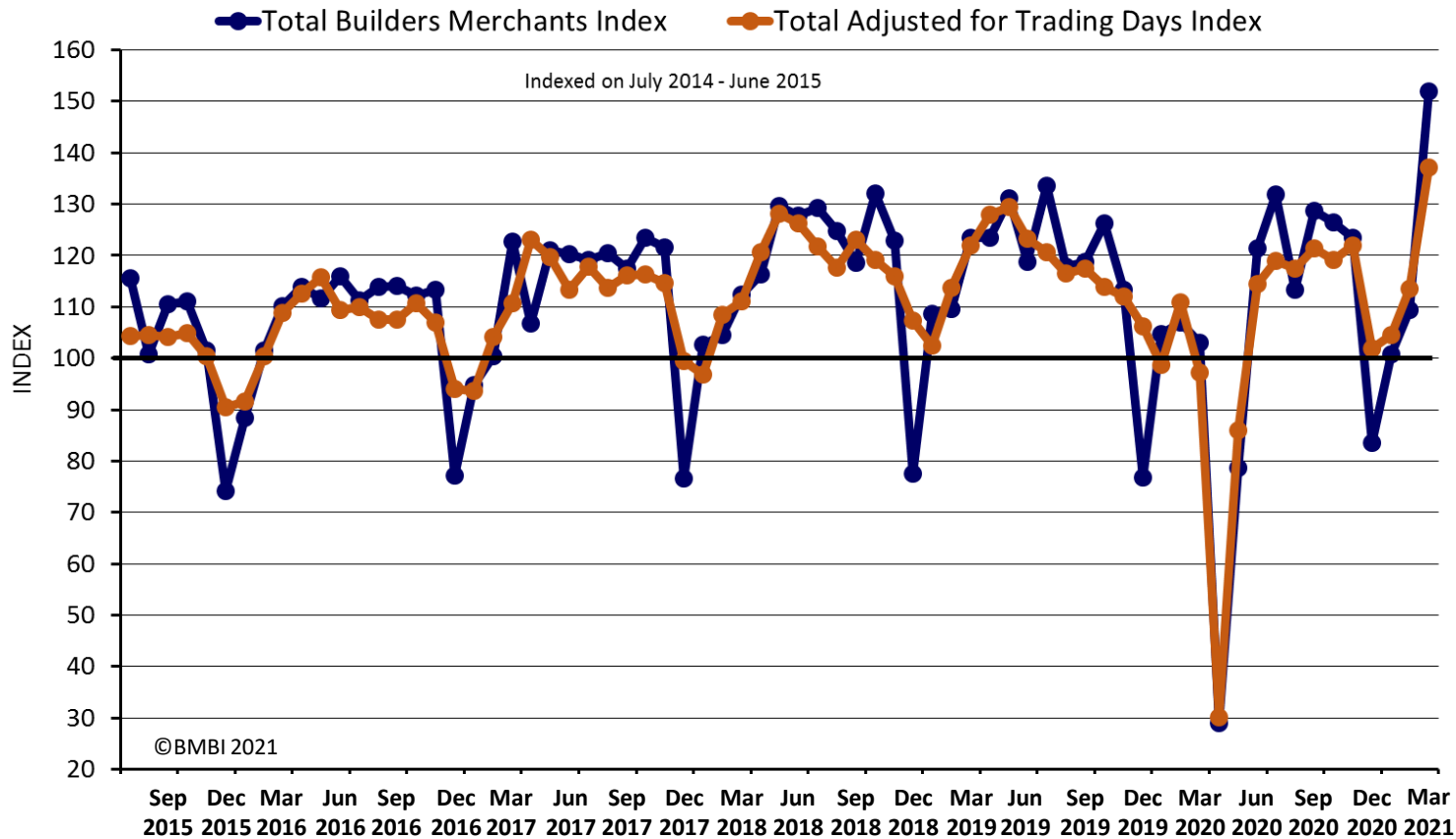
*Click the web link below to see the complete series of indices from July 2015.

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Monthly: Index

Adjusted and unadjusted for trading days

Total Builders Merchants Index v Total Adjusted for Trading Days Index



Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

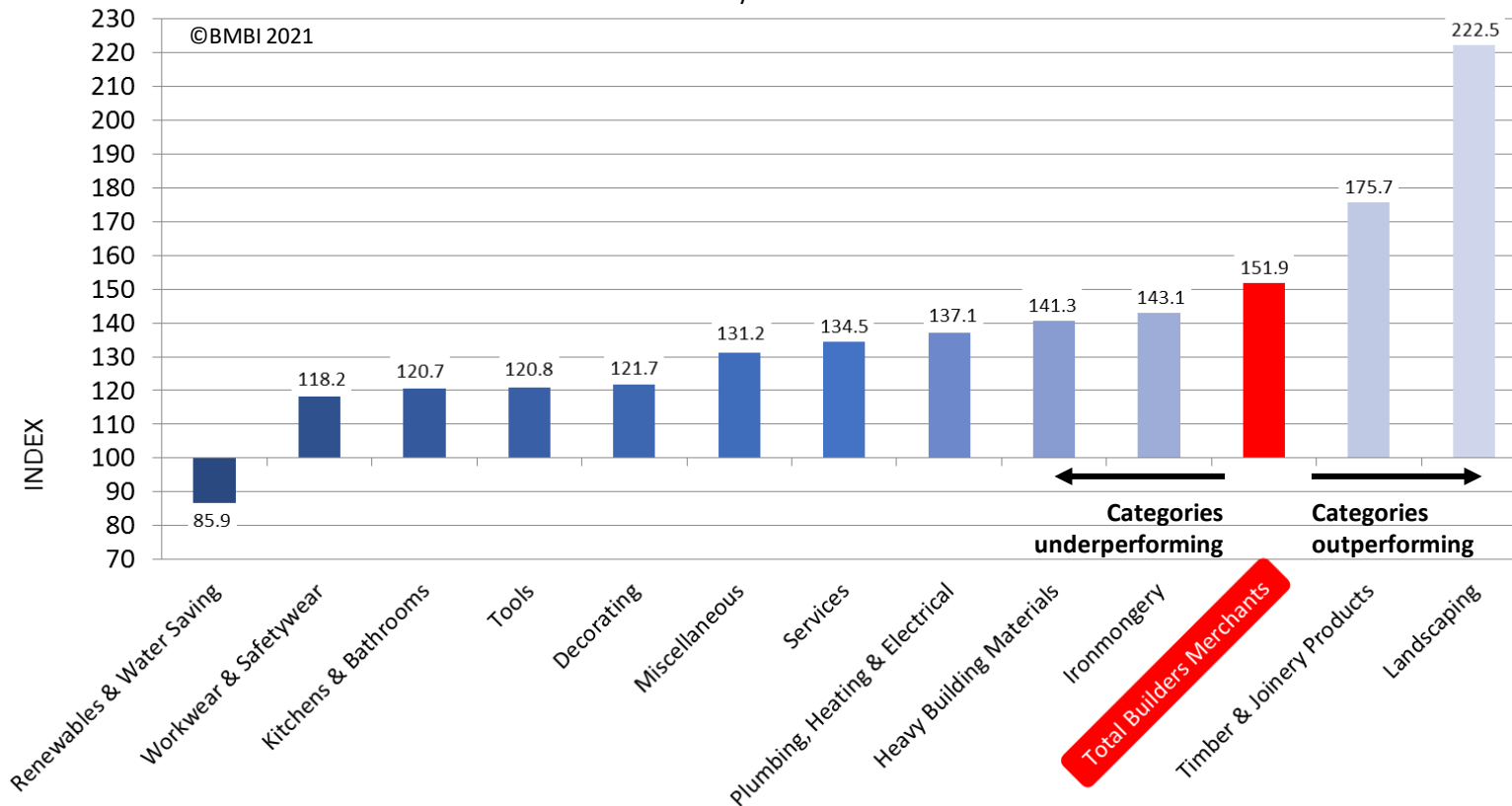
Monthly: Index and Categories

March 2021 index



March 2021 Index

Indexed on July 2014 to June 2015



 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

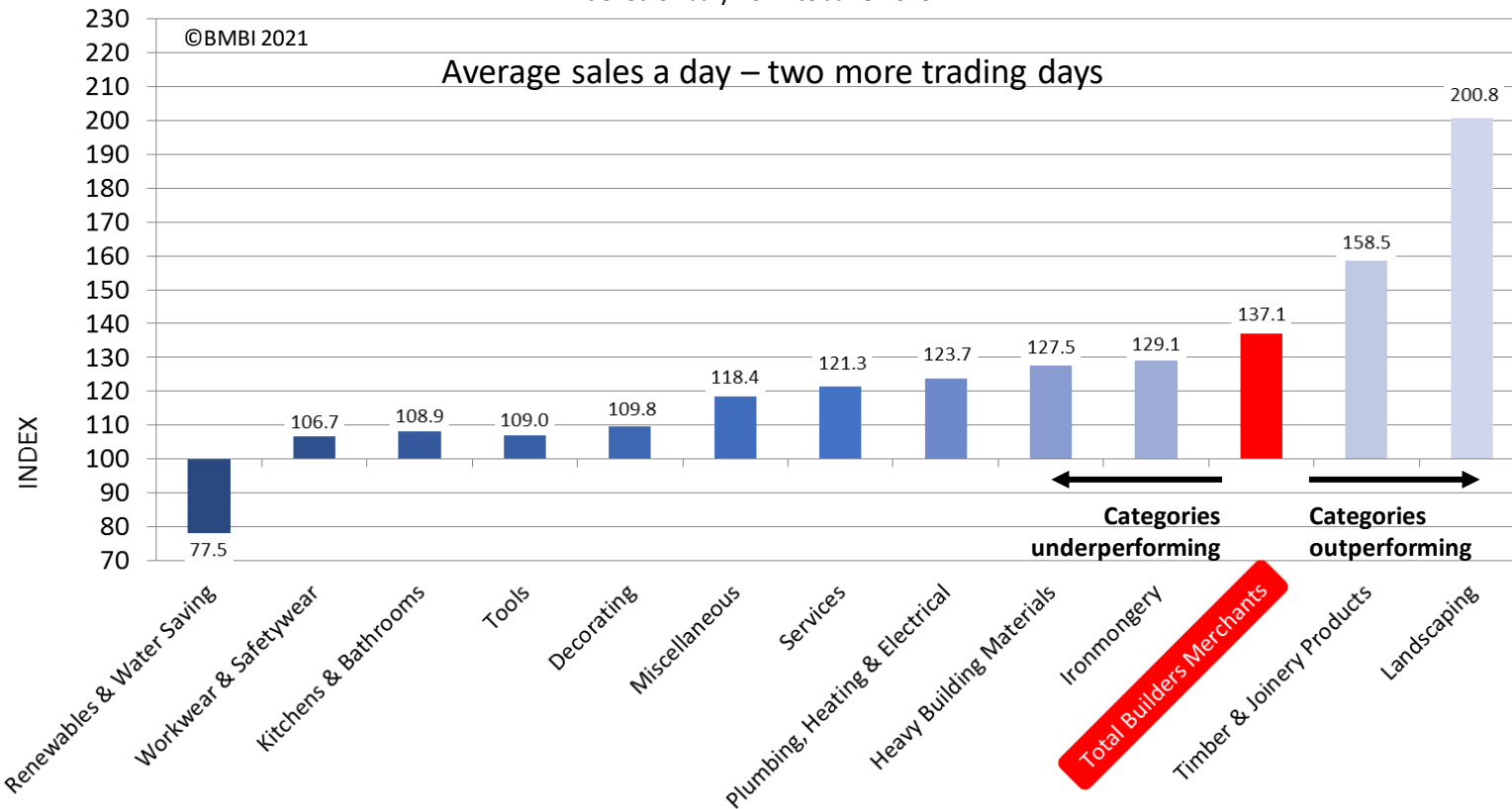
Monthly: Index and Categories

March 2021 average sales a day index



March 2021 Index

Indexed on July 2014 to June 2015



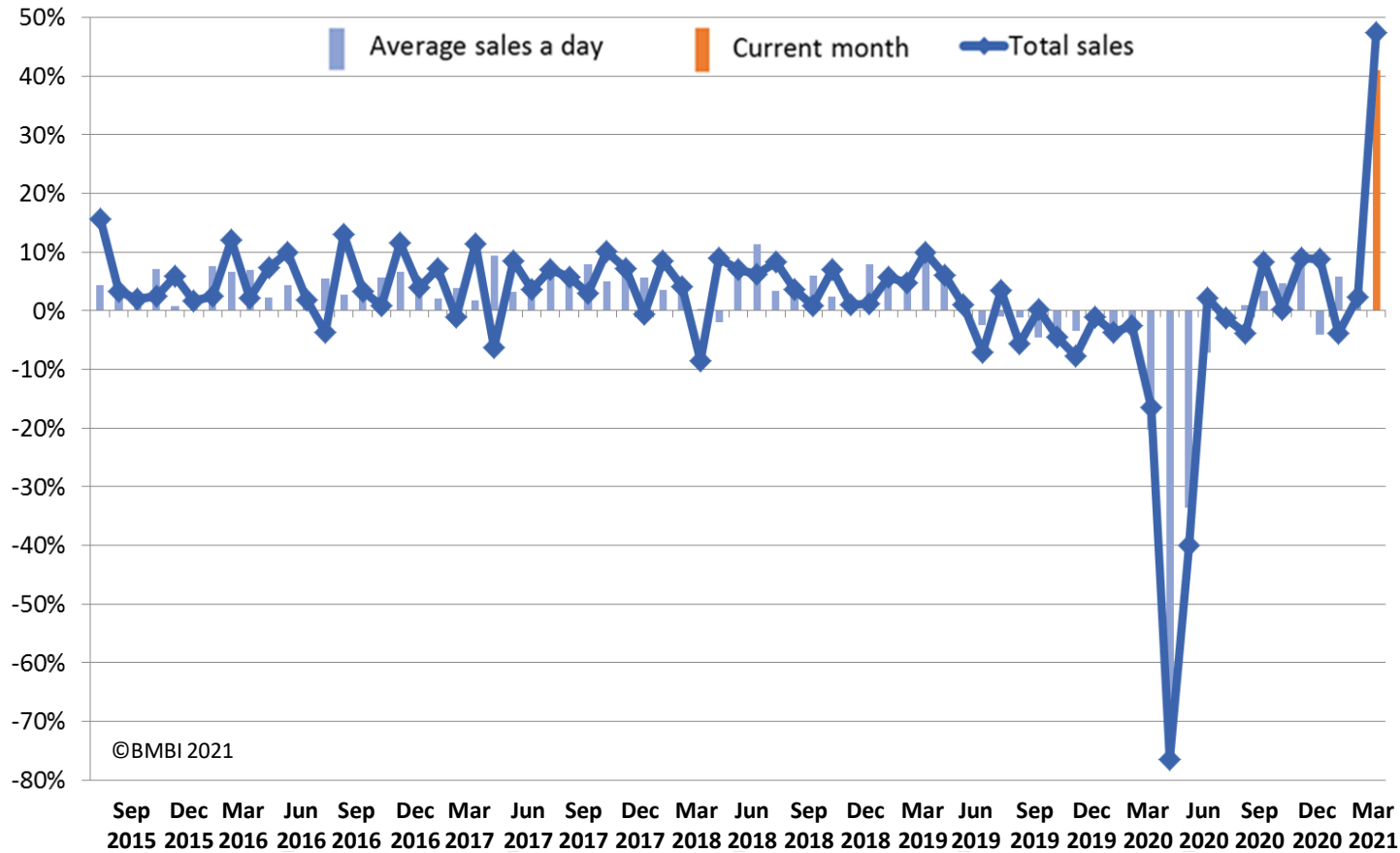
Source: GfK's Builders Merchants Total Category Report July 2015 to March 2021

Monthly: Sales Indices Year on Year

Adjusted and unadjusted for trading days



Monthly: Year on Year



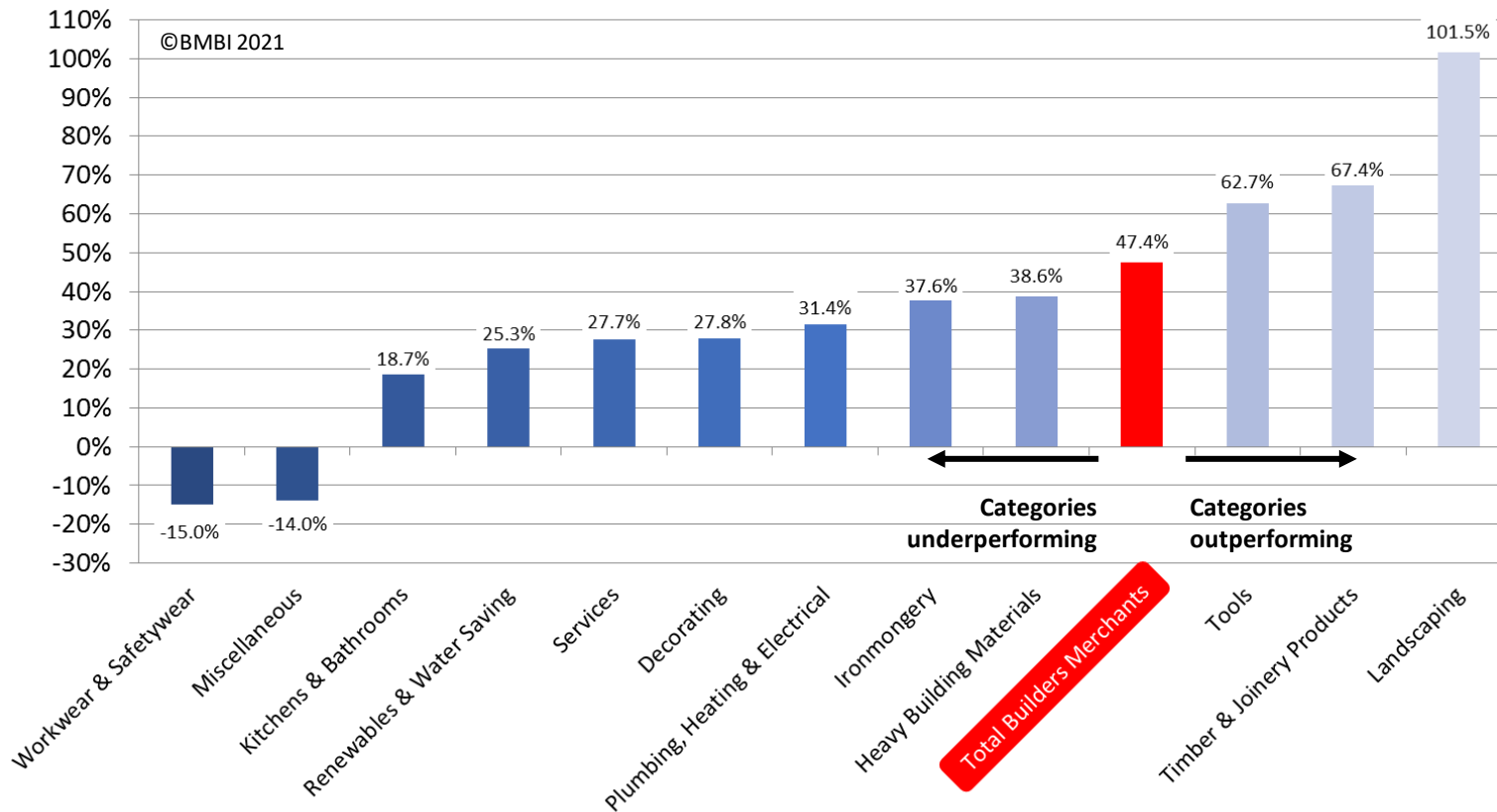
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Monthly: This year v last year

March 2021 sales indices



March 2021 index v March 2020 index



Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Monthly: This year v last year

March 2021 average sales a day indices



March 2021 index v March 2020 index



Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

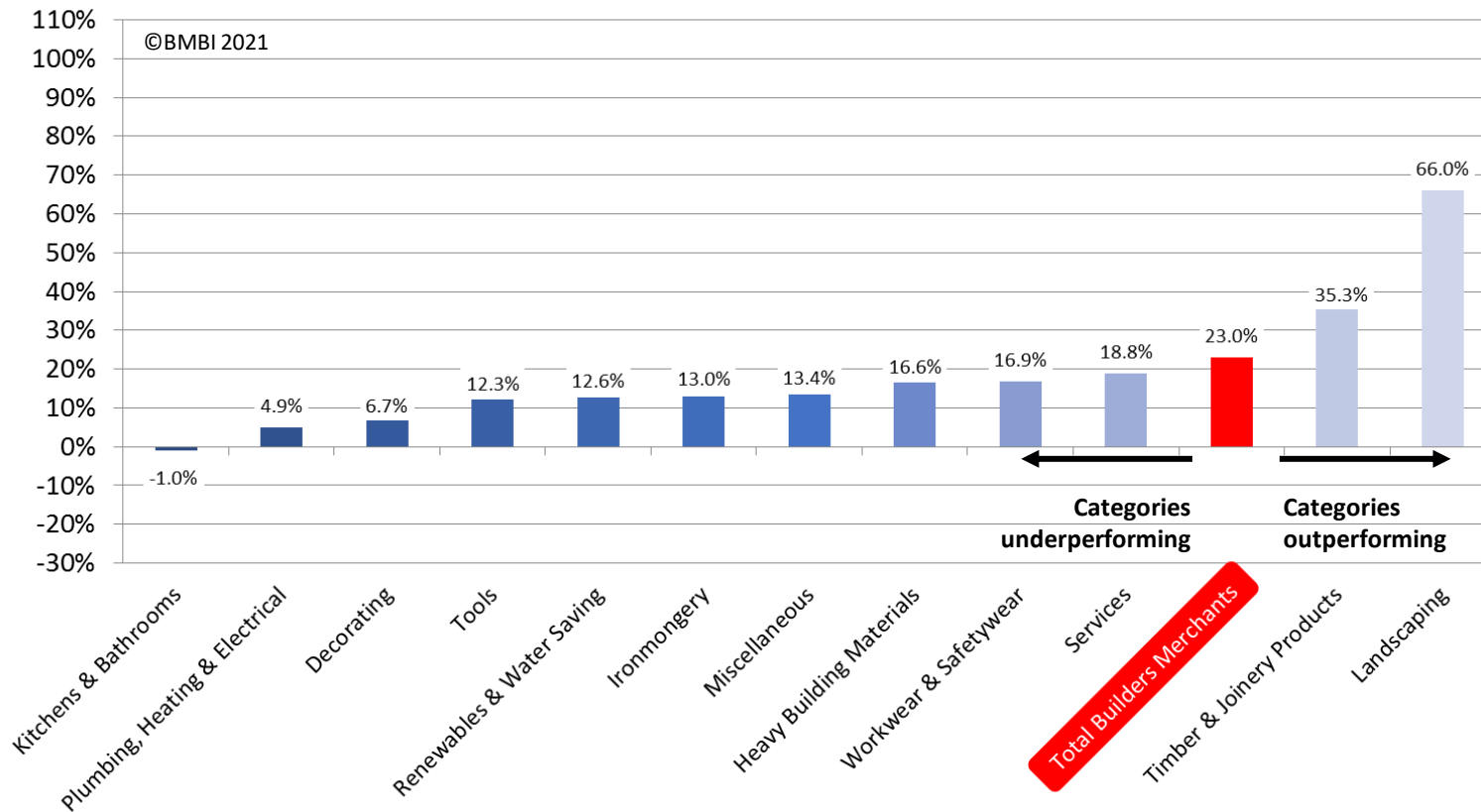
*Some merchants temporarily closed branches between March and May 2020 and this will have affected trading day comparisons.

Monthly: This year v 2019

March 2021 2-year sales indices



2-year comparison: March 2021 v March 2019

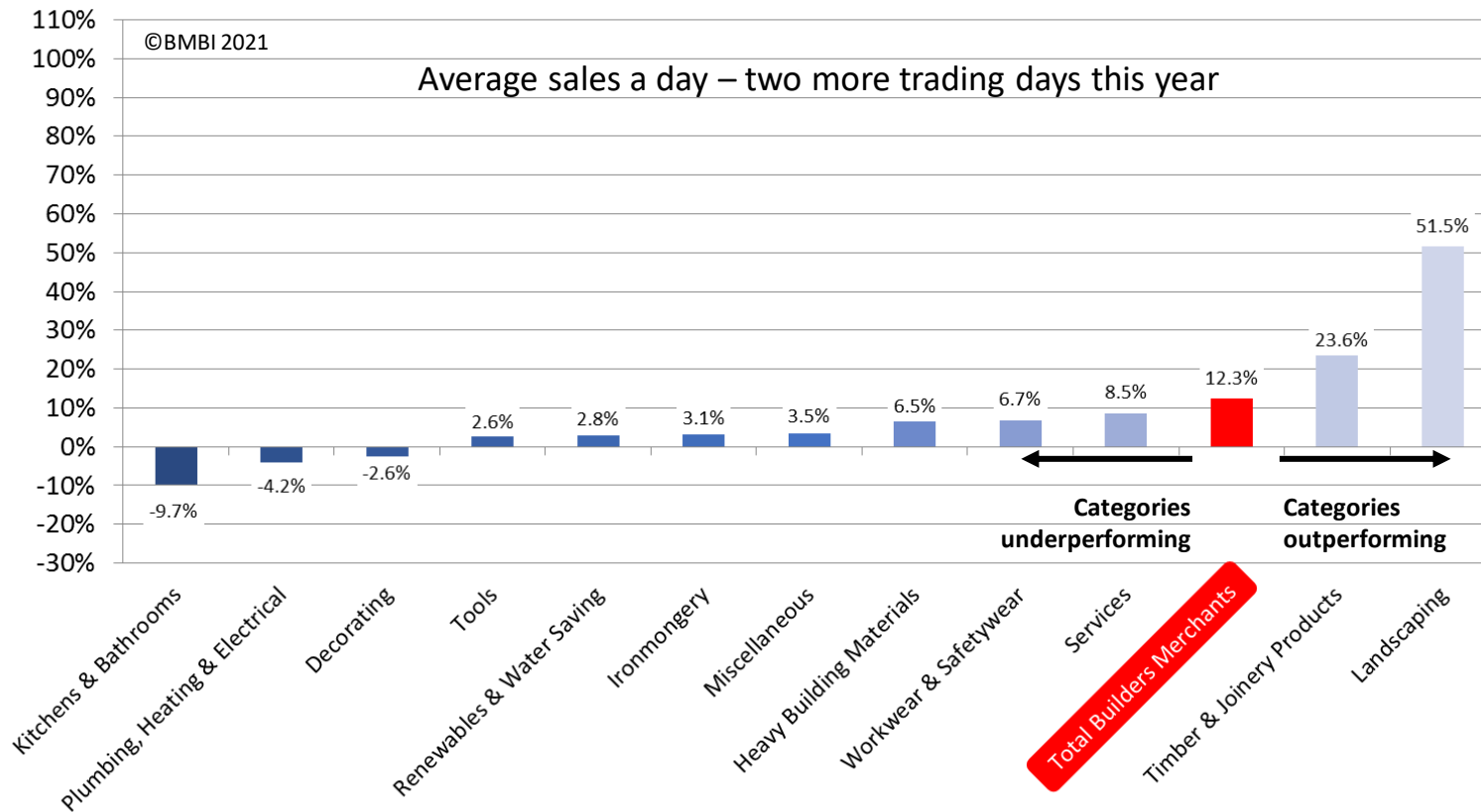


Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Monthly: This year v 2019

March 2021 2-year average sales a day indices

2-year comparison: March 2021 v March 2019



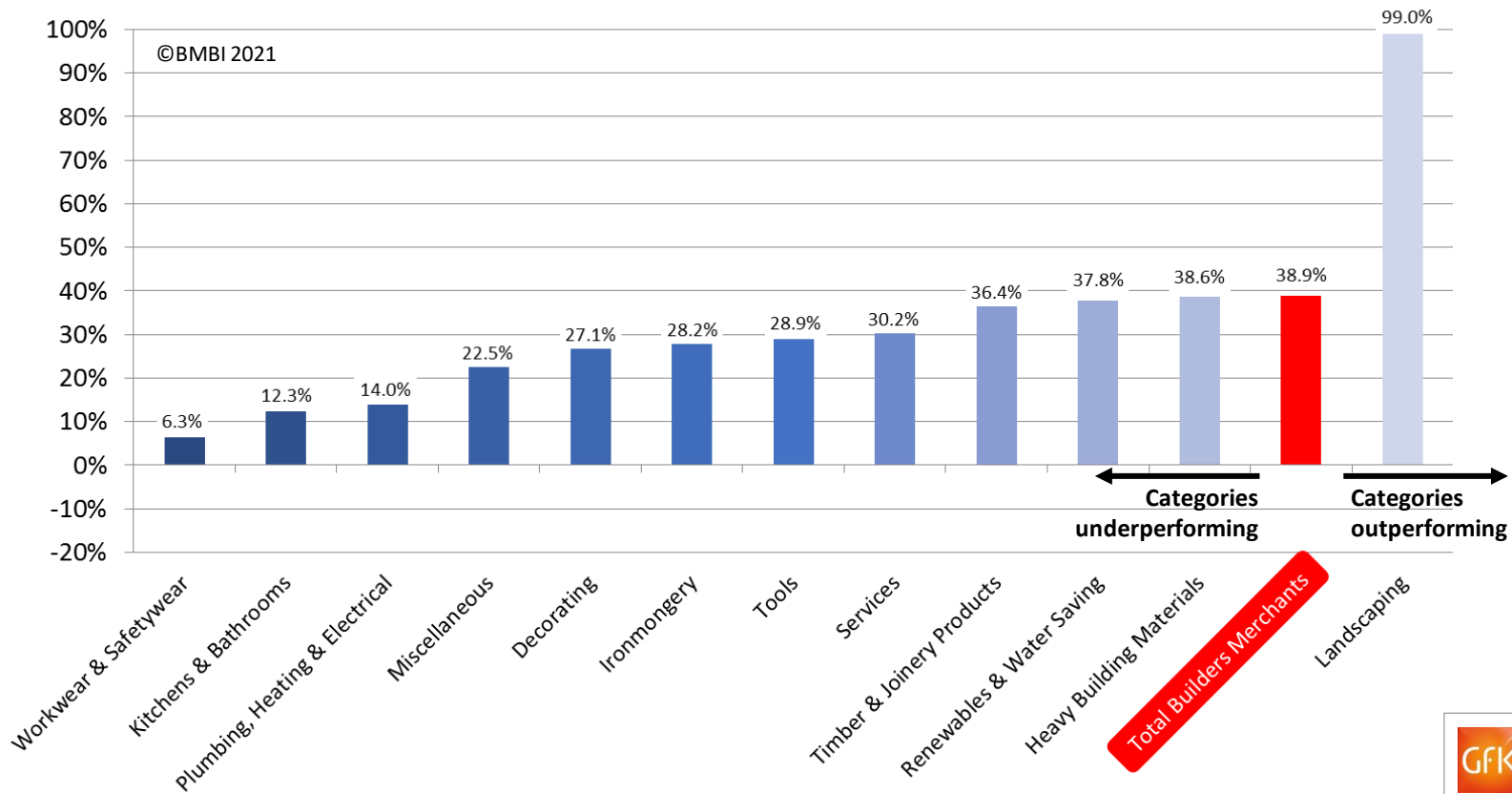
GfK Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Monthly: This month v last month

March 2021 sales indices



March 2021 Index v February 2021 Index

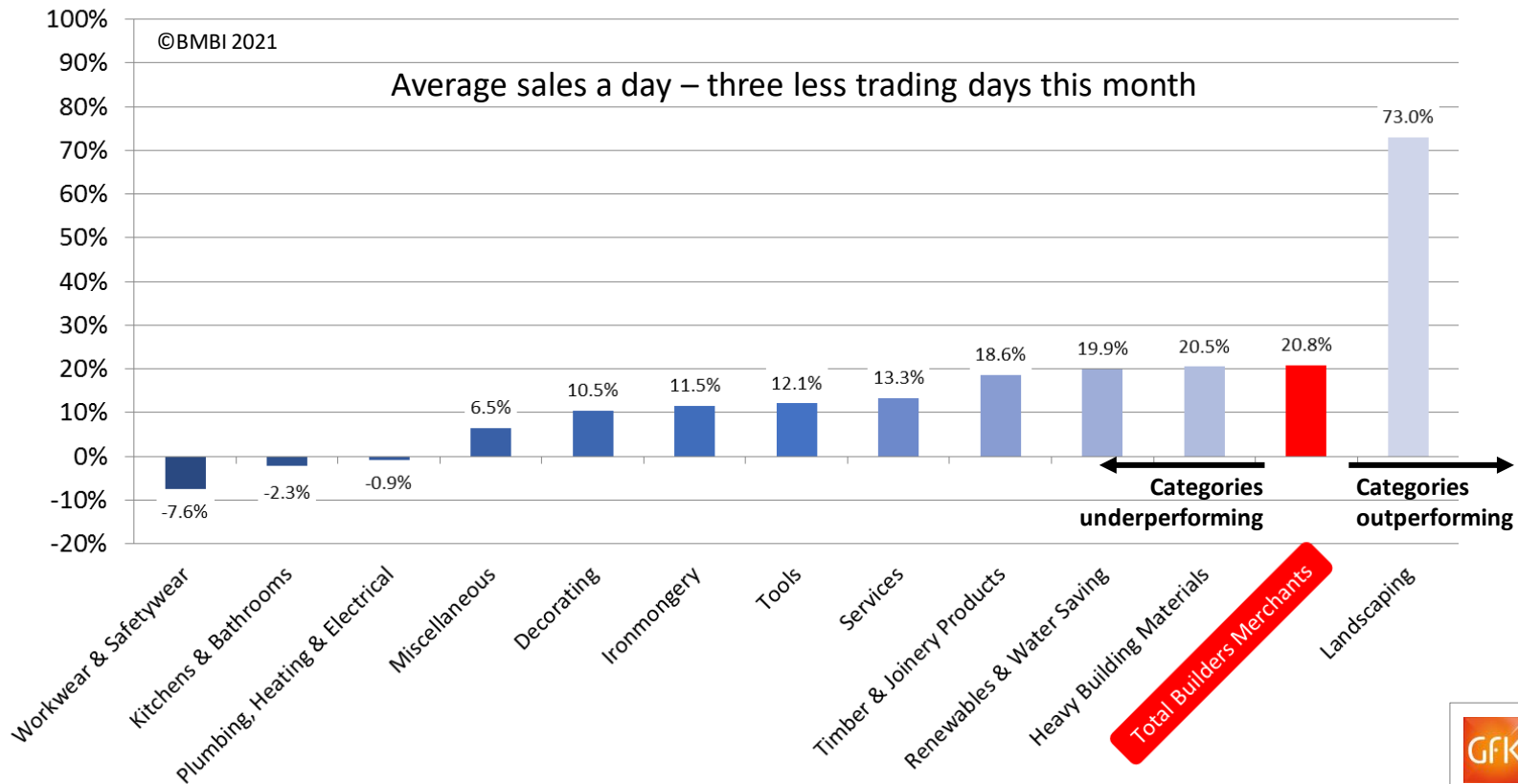


GfK Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Monthly: This month v last month

March 2021 average sales a day indices

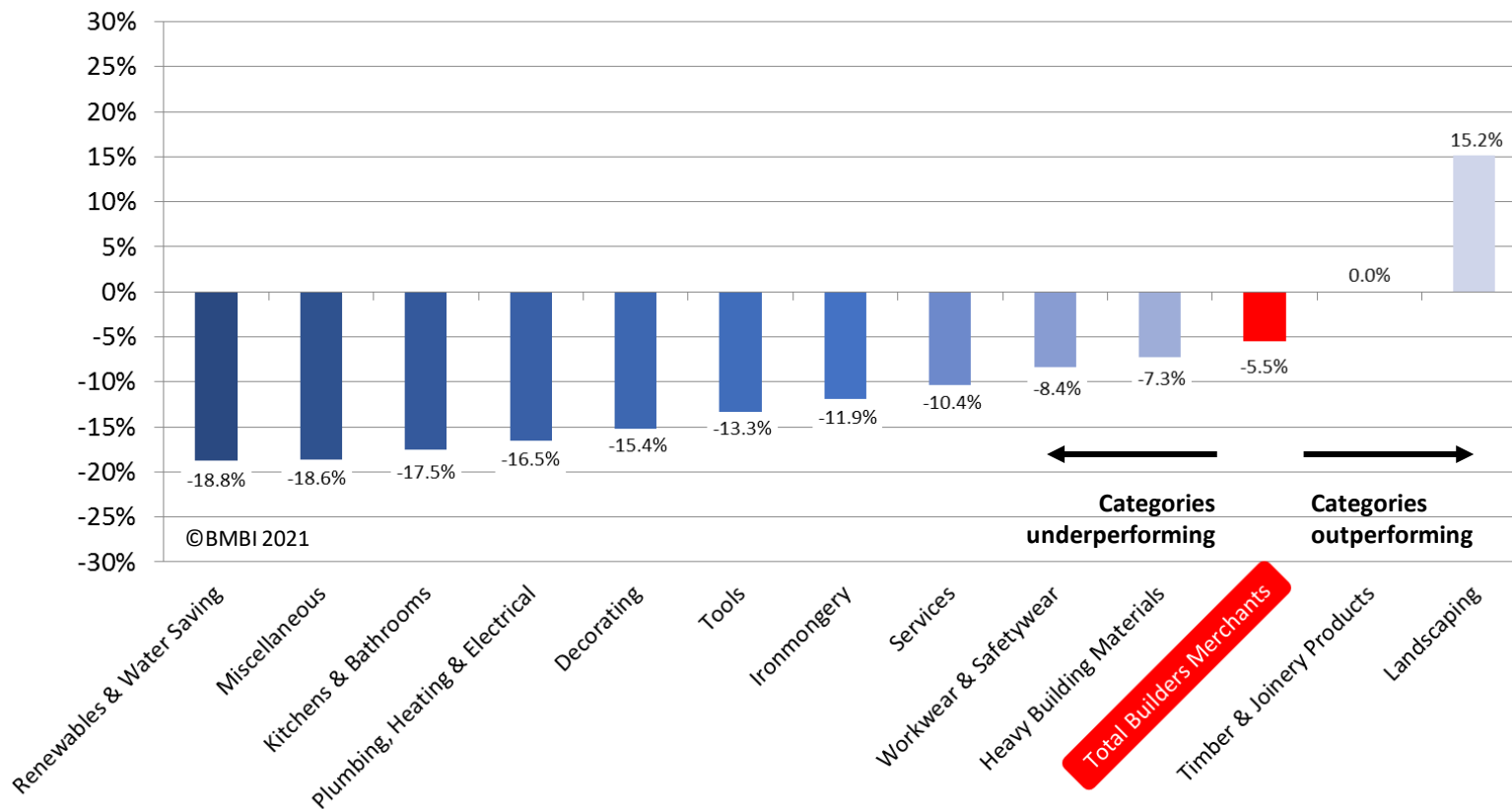
March 2021 Index v February 2021 Index



Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Last 12 Months: Year on Year

12 months Apr 20 to Mar 21 v 12 months Apr 19 to Mar 20



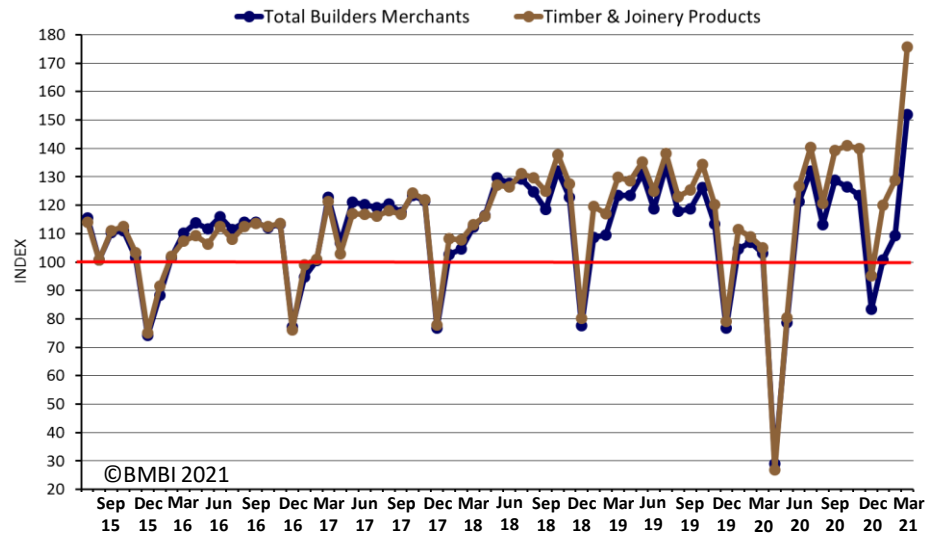
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Monthly and Quarterly Indices

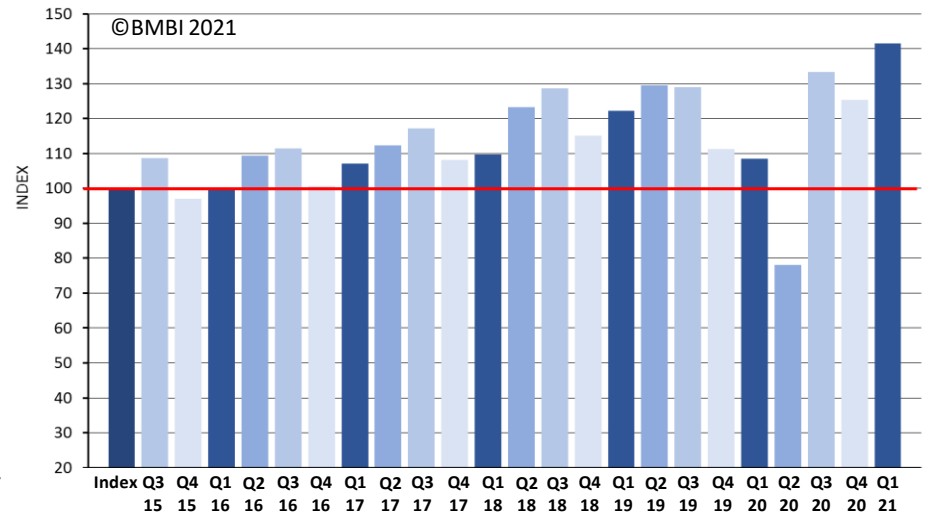
March 2021 and Q1 2021



Timber & Joinery Products



Timber & Joinery Products - Quarterly



Charts indexed on July 2014 – June 2015

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

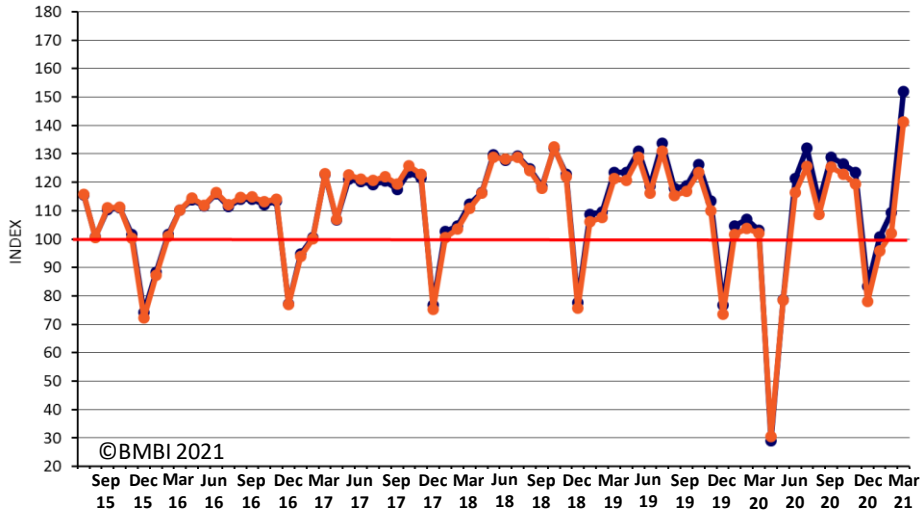
Monthly and Quarterly Indices

March 2021 and Q1 2021

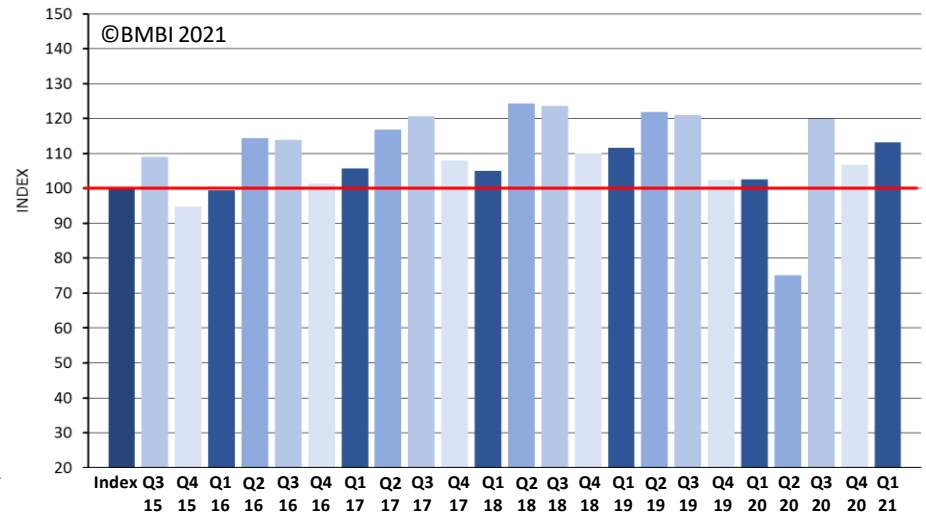


Heavy Building Materials

● Total Builders Merchants ● Heavy Building Materials



Heavy Building Materials - Quarterly



Charts indexed on July 2014 – June 2015

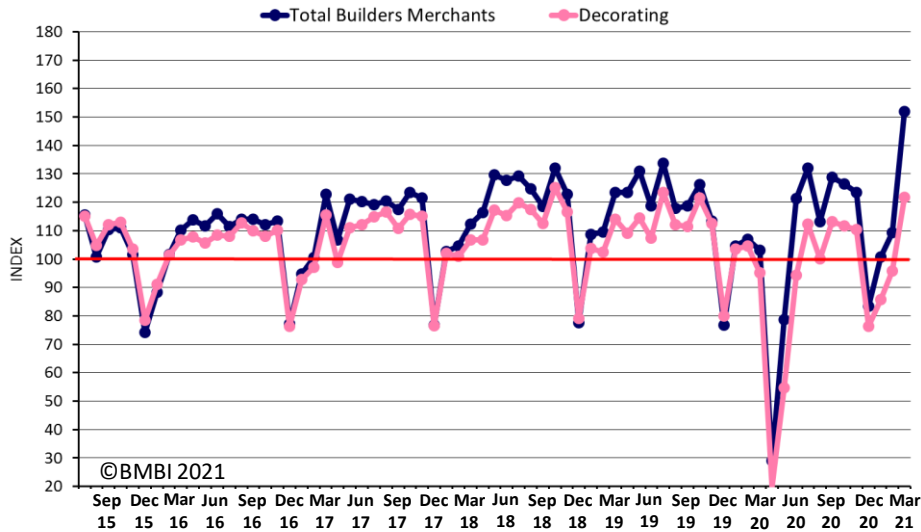
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Monthly and Quarterly Indices

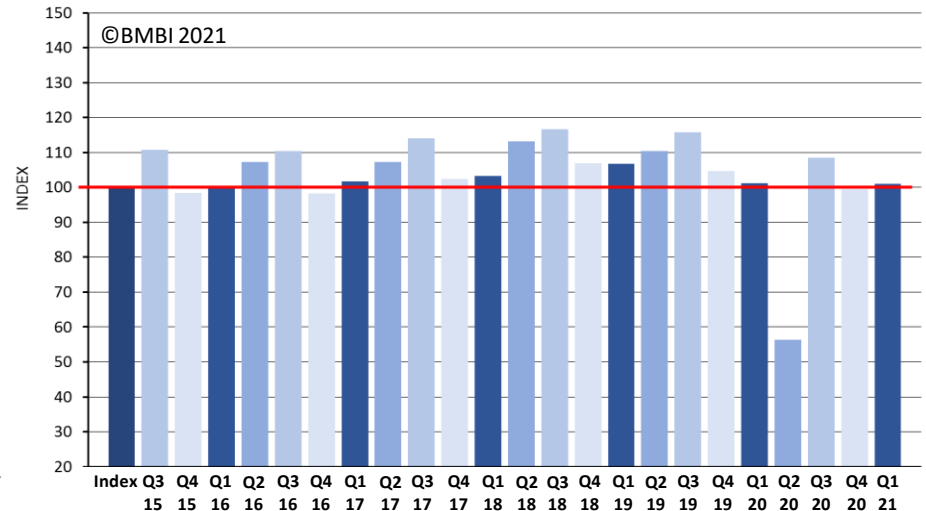
March 2021 and Q1 2021



Decorating



Decorating - Quarterly



Charts indexed on July 2014 – June 2015

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

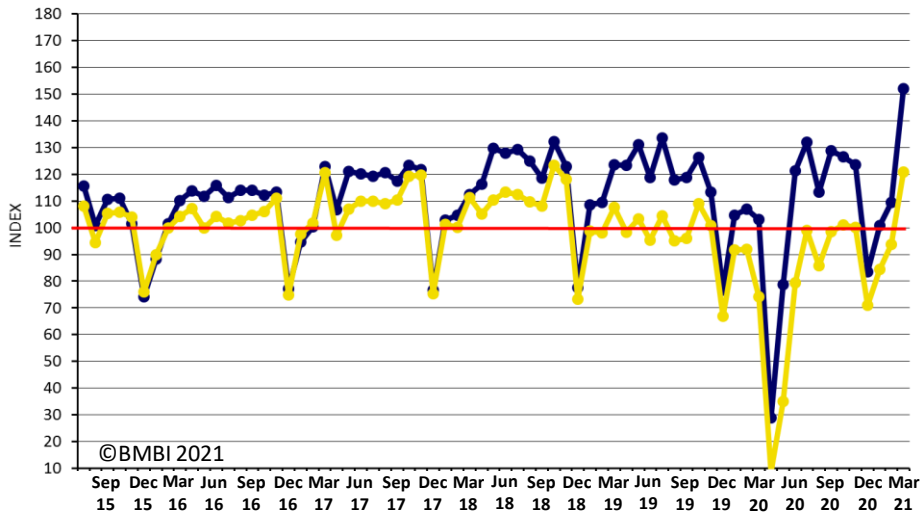
Monthly and Quarterly Indices

March 2021 and Q1 2021

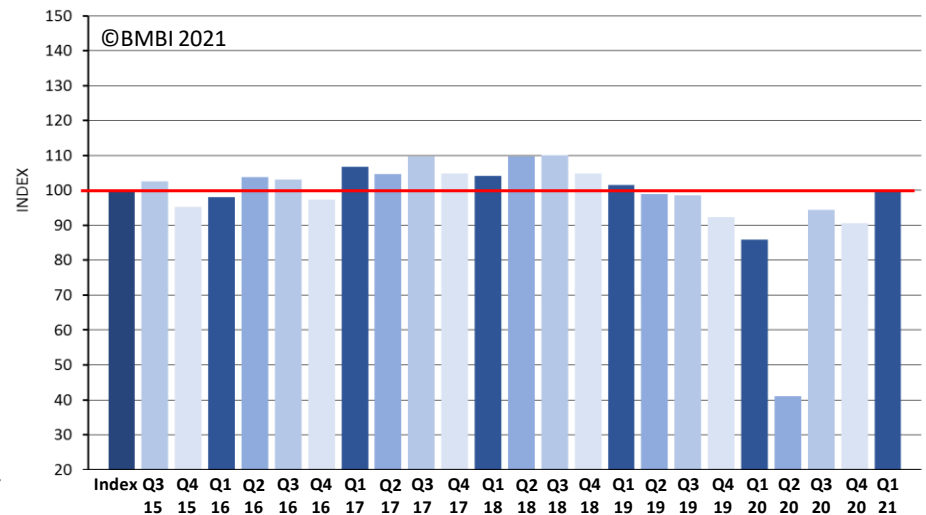


Tools

◆ Total Builders Merchants ◆ Tools



Tools - Quarterly



Charts indexed on July 2014 – June 2015

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

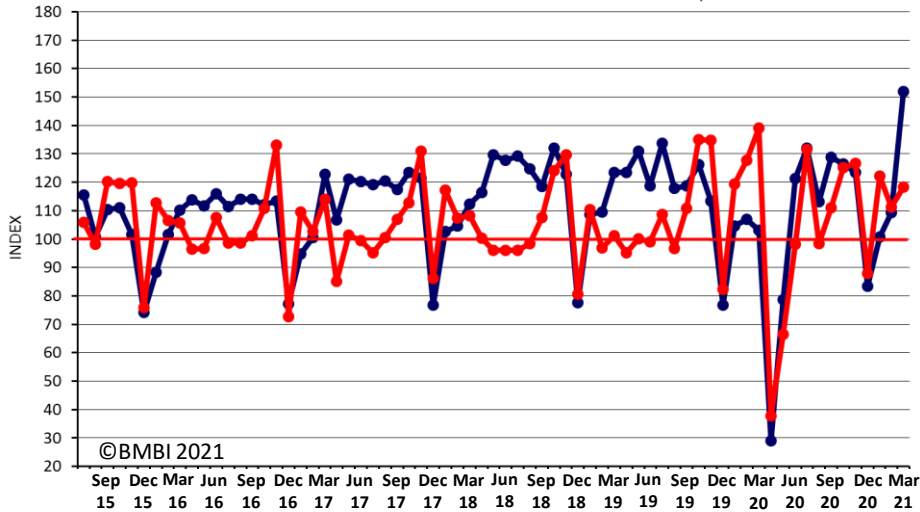
Monthly and Quarterly Indices

March 2021 and Q1 2021

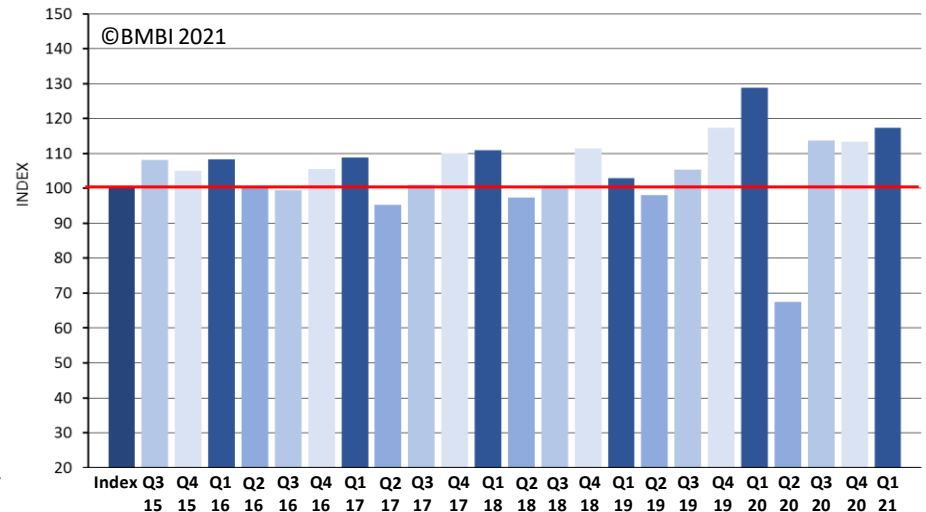


Workwear & Safetywear

— Total Builders Merchants — Workwear & Safetywear



Workwear & Safetywear - Quarterly



Charts indexed on July 2014 – June 2015

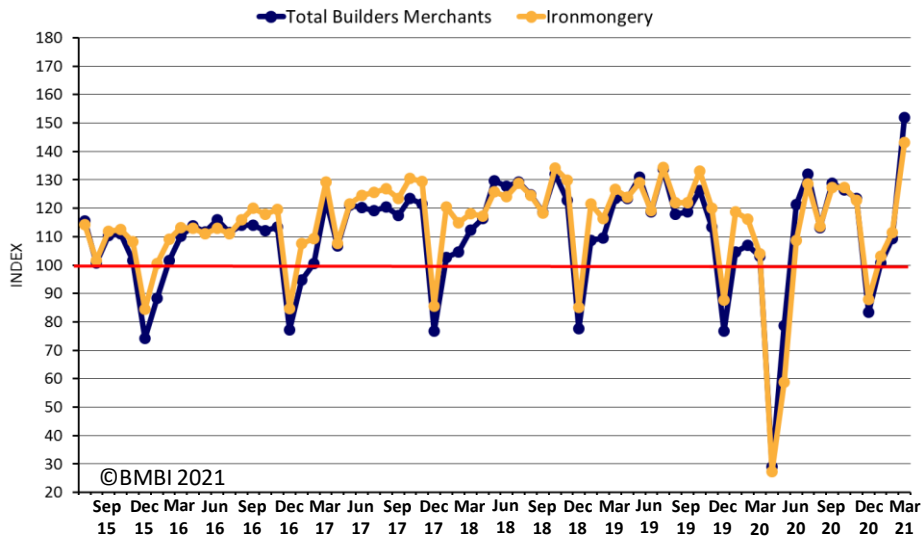
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Monthly and Quarterly Indices

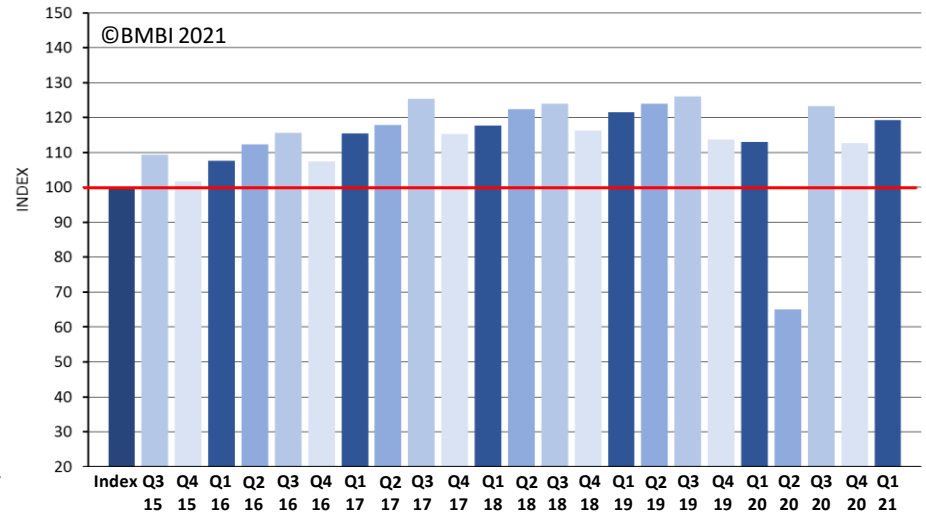
March 2021 and Q1 2021



Ironmongery



Ironmongery - Quarterly



Charts indexed on July 2014 – June 2015

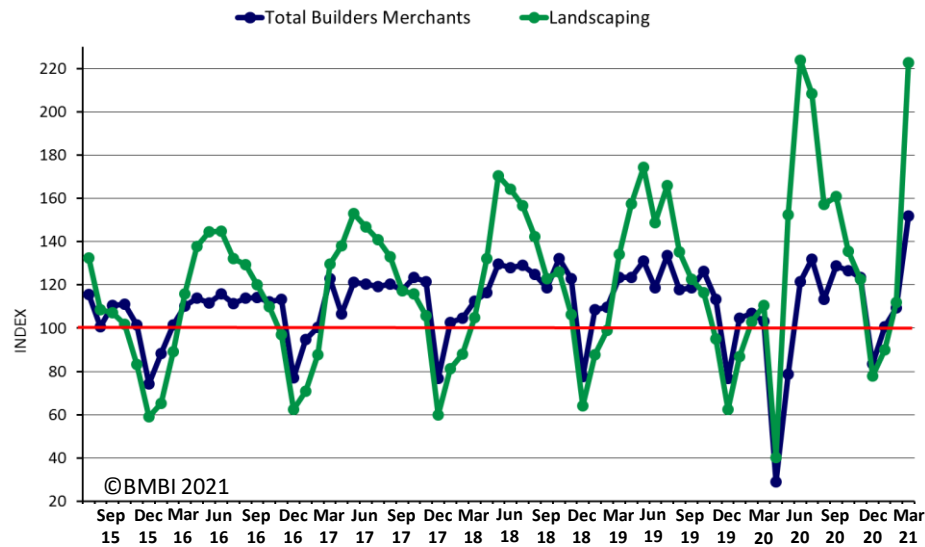
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Monthly and Quarterly Indices

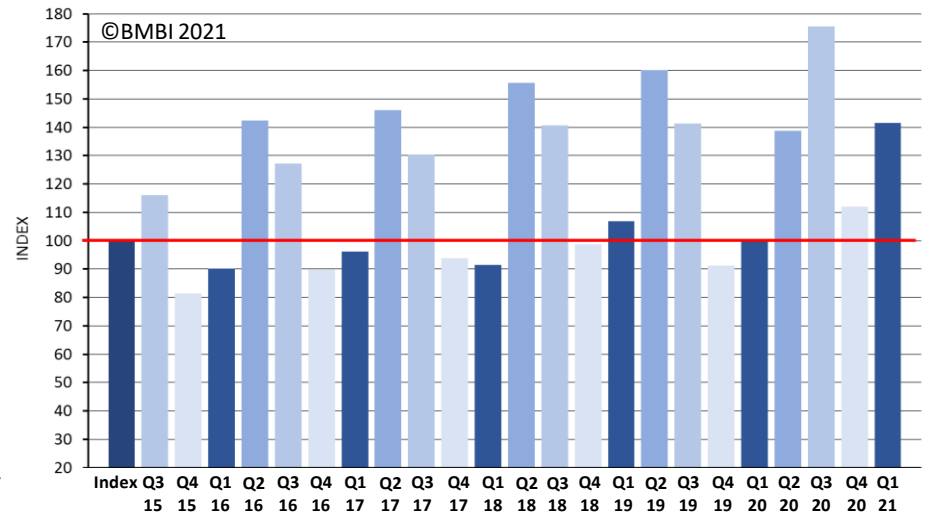
March 2021 and Q1 2021



Landscaping



Landscaping - Quarterly



Charts indexed on July 2014 – June 2015

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

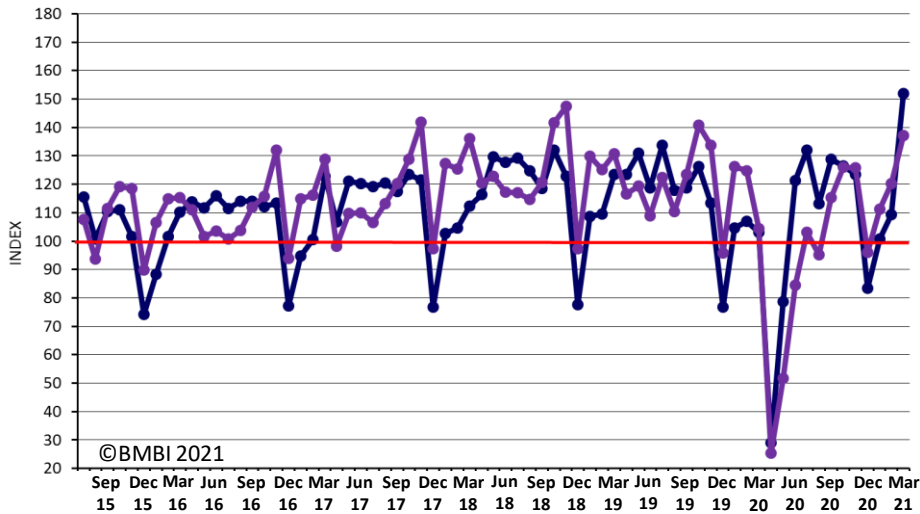
Monthly and Quarterly Indices

March 2021 and Q1 2021

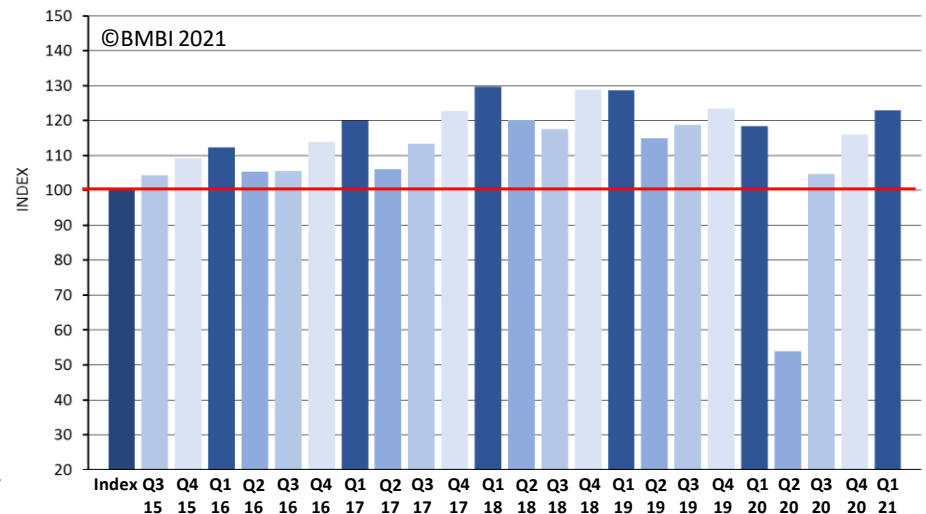


Plumbing, Heating & Electrical

● Total Builders Merchants ● Plumbing, Heating & Electrical



Plumbing, Heating & Electrical - Quarterly



Charts indexed on July 2014 – June 2015

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

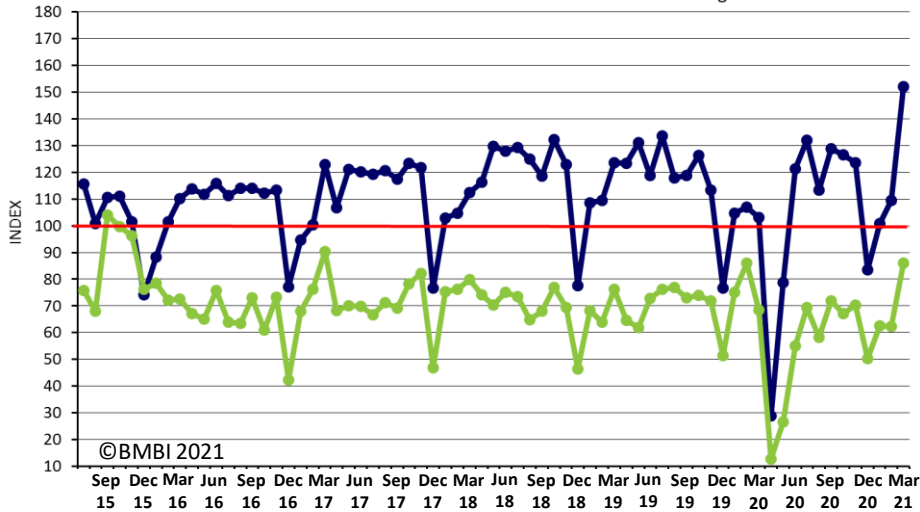
Monthly and Quarterly Indices

March 2021 and Q1 2021

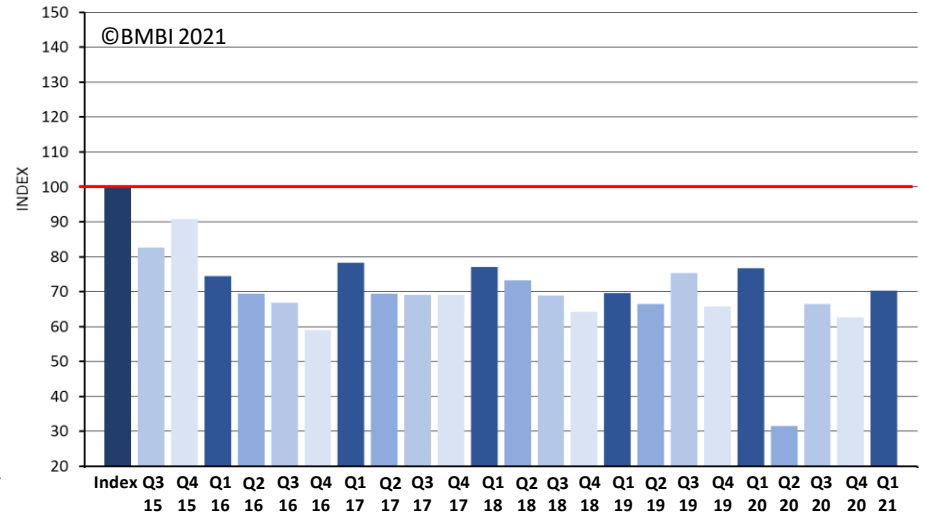


Renewables & Water Saving

— Total Builders Merchants — Renewables & Water Saving



Renewables & Water Saving - Quarterly



Charts indexed on July 2014 – June 2015

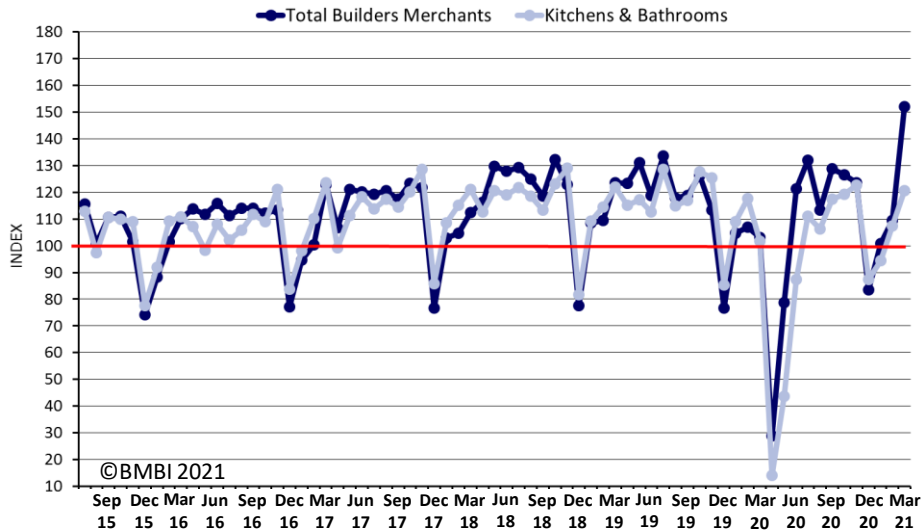
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Monthly and Quarterly Indices

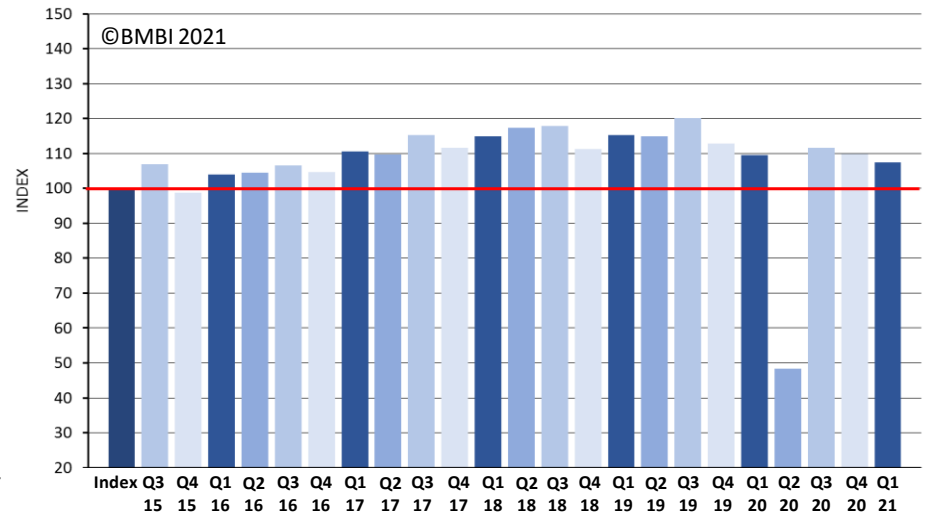
March 2021 and Q1 2021



Kitchens & Bathrooms



Kitchens & Bathrooms - Quarterly



Charts indexed on July 2014 – June 2015

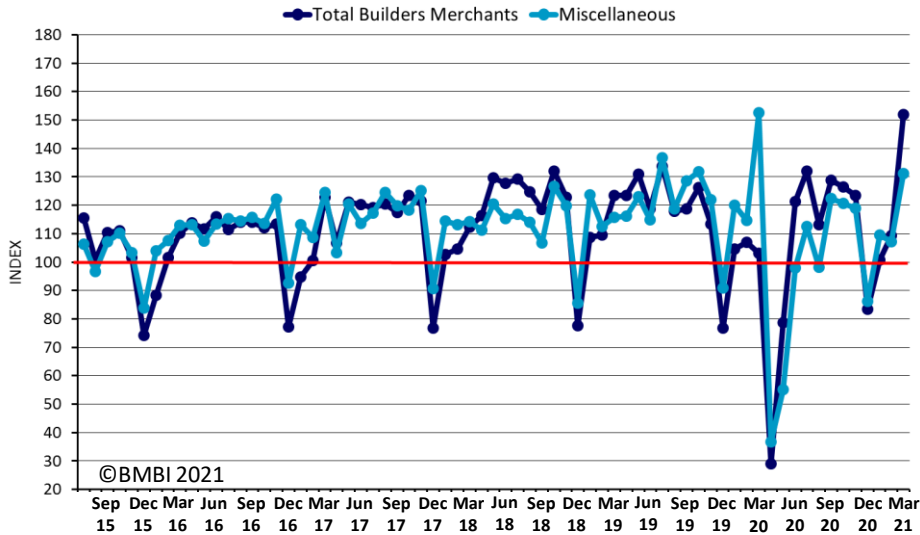
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Monthly and Quarterly Indices

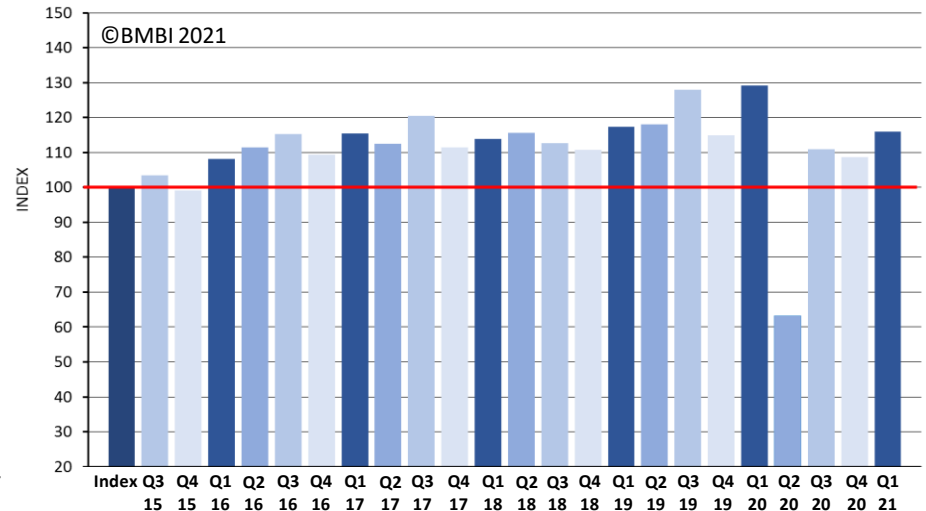
March 2021 and Q1 2021



Miscellaneous



Miscellaneous- Quarterly



Charts indexed on July 2014 – June 2015

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

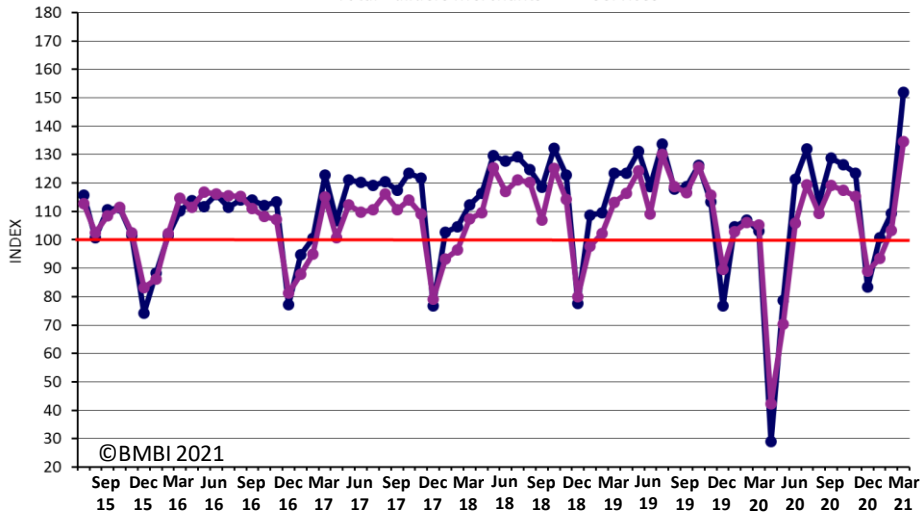
Monthly and Quarterly Indices

March 2021 and Q1 2021

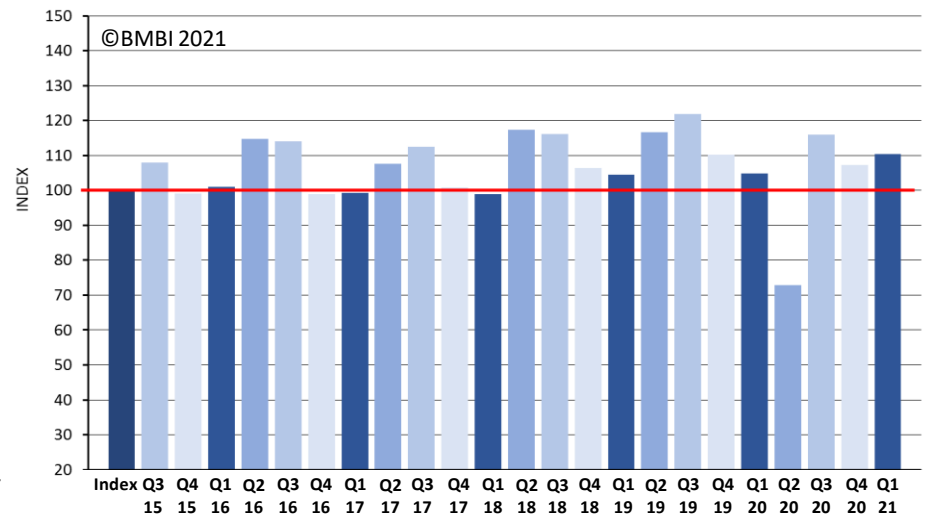


Services

● Total Builders Merchants ● Services



Services Quarterly



Charts indexed on July 2014 – June 2015

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

Trading Days

Monthly

Index: 20.8

2015											
						Jul	Aug	Sep	Oct	Nov	Dec
						22	20	22	22	21	17
2016											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
20	21	21	21	20	22	21	22	22	21	22	17
2017											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
21	20	23	18	21	22	21	22	21	22	22	16
2018											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
22	20	21	20	21	21	22	22	20	23	22	15
2019											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
22	20	21	20	21	20	23	21	21	23	21	15
2020											
Jan	Feb	Mar*	Apr*	May*	Jun	Jul	Aug	Sep	Oct	Nov	Dec
22	20	22	20	19	22	23	20	22	22	21	17
2021											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
20	20	23									

Quarterly

Index: 62.3

2015			
		Q3	Q4
		64	60
2016			
Q1	Q2	Q3	Q4
62	63	65	60
2017			
Q1	Q2	Q3	Q4
64	61	64	60
2018			
Q1	Q2	Q3	Q4
63	62	64	60
2019			
Q1	Q2	Q3	Q4
63	61	65	59
2020			
Q1	Q2	Q3	Q4
64	61	65	60
2021			
Q1	Q2	Q3	Q4
63			

Half Year

2015	
	H2
	124
2016	
H1	H2
125	125
2017	
H1	H2
125	124
2018	
H1	H2
125	124
2019	
H1	H2
124	124
2020	
H1	H2
125	125
2021	
H1	H2

Full Year

2016
250
2017
249
2018
249
2019
248
2020
250
2021

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2021

*Some merchants temporarily closed branches between March and May 2020 and this will have affected trading day comparisons.

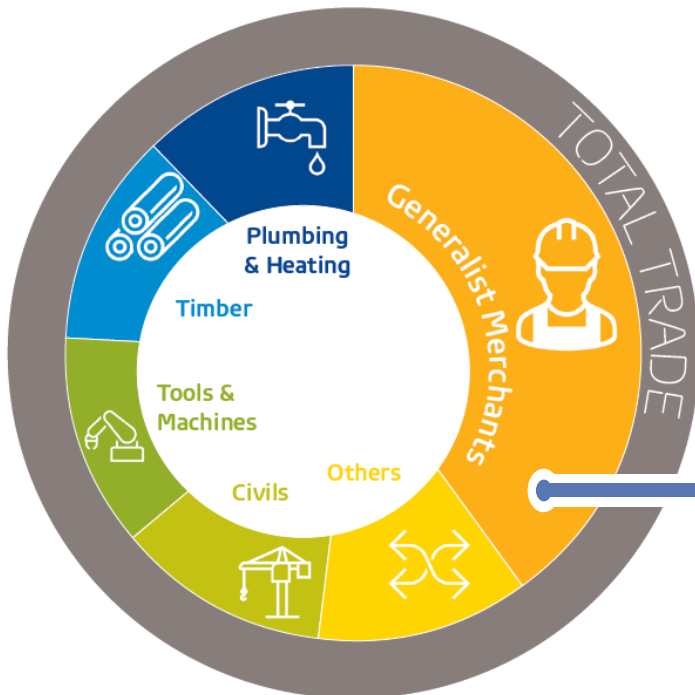
GfK's Definition of Builders Merchant Panel



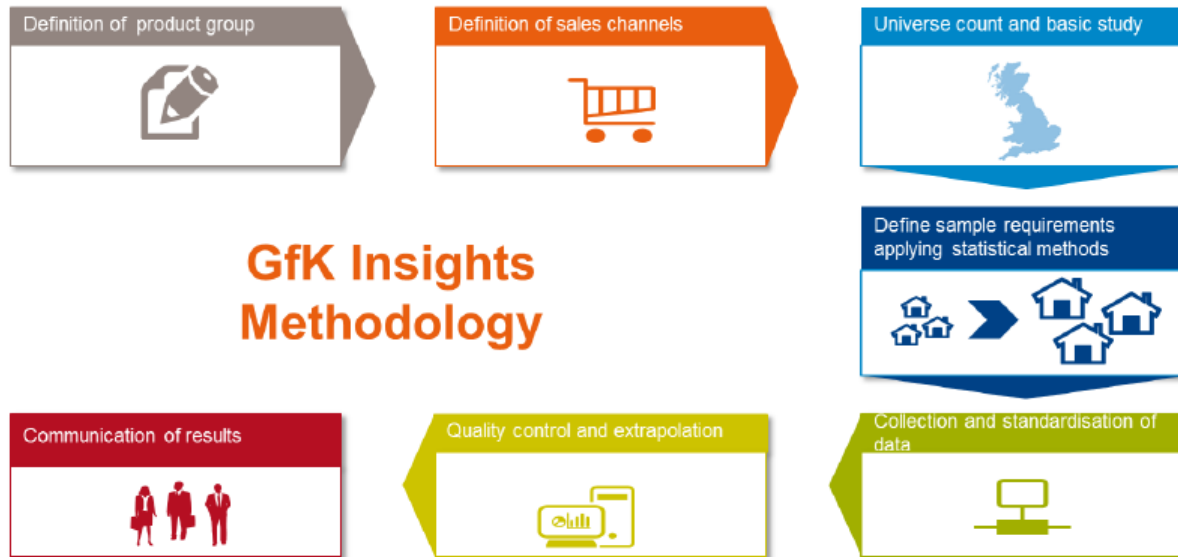
Generalist Builders Merchants definition:

- 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. Only multiple merchants are considered; they are defined as having more than 3 outlets or a turnover of greater than £3m p.a.
- This excludes branches that generate all their sales from specialized areas such as Civils, Tiles and Tools. Estimated coverage of this channel sits at 82%.

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

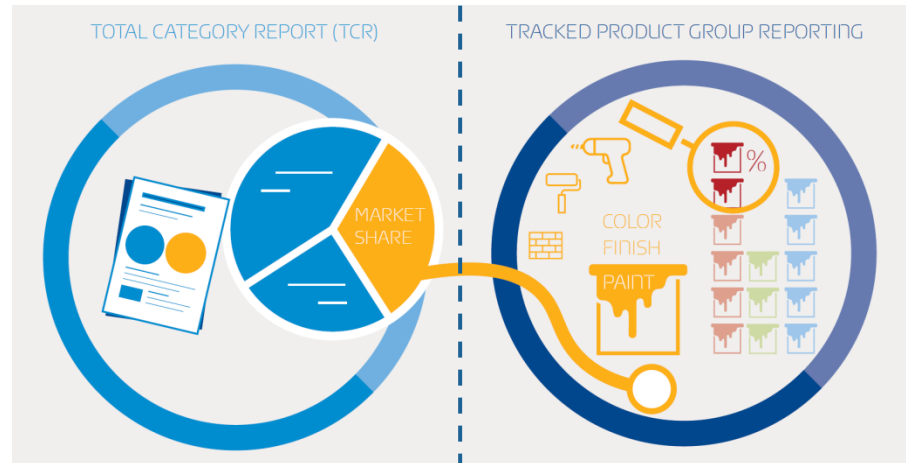
Bathroom (Including Showering)
Fitted Kitchens
Major Appliances

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 Emile van der Ryst at GfK
emile.van-der-ryst@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

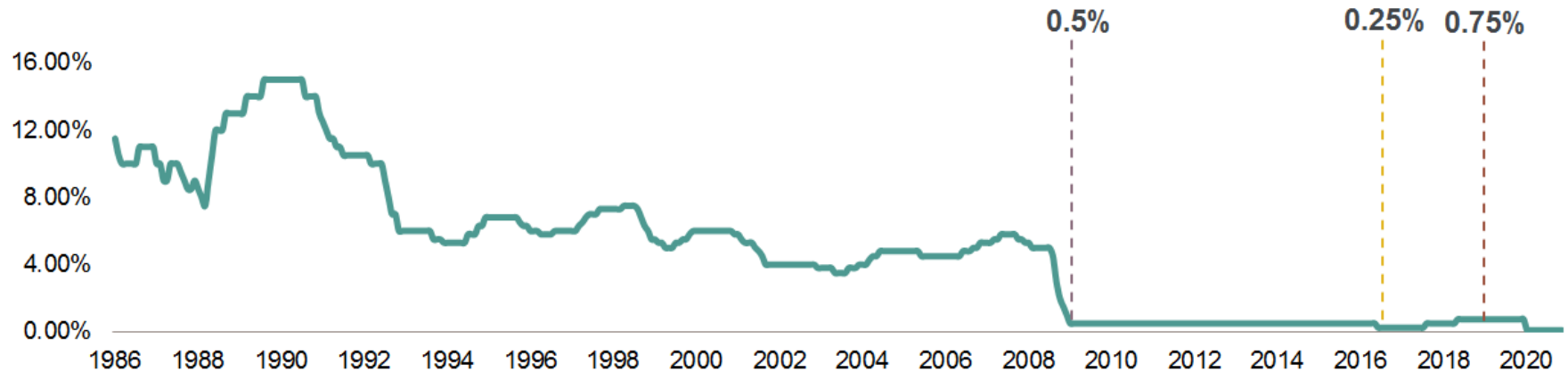
Set monthly by the MPC (Monetary Policy Committee)

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

▪ The MPC voted unanimously to maintain Bank Rate at 0.1% in March 2021.
▪ The Committee voted unanimously for the Bank of England to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves.



Source: Bank of England

© GfK 2020 | Consumer Confidence Barometer | March 2021

Macro factors impacting Merchants



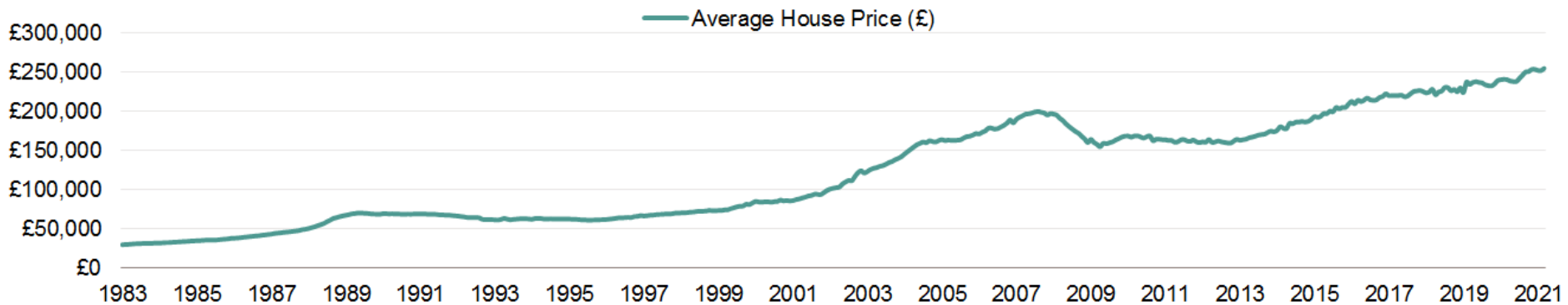
Standardised average house prices

Average Price (year end)		
2010	£168,390	+3%
2015	£208,286	+10%
2016	£222,190	+7%
2017	£225,032	+1%
2018	£229,729	+2%
2019	£238,963	+2%
2020	£244,112	+2%

Following a relatively subdued start to the year, the housing market enjoyed something of a resurgence during March, with prices up by just over 1% compared to February. This rise – the first since November last year – means the average property is now worth £254,606, a new record high.

At the end of March 2021, the average house price in the UK increased to £254,606 from £251,697 in February 2021.

House prices in March were 6.5% higher than in the same month a year earlier.



Source: Halifax House Price Index

© GfK 2020 | Consumer Confidence Barometer | March 2021

Macro factors impacting Merchants



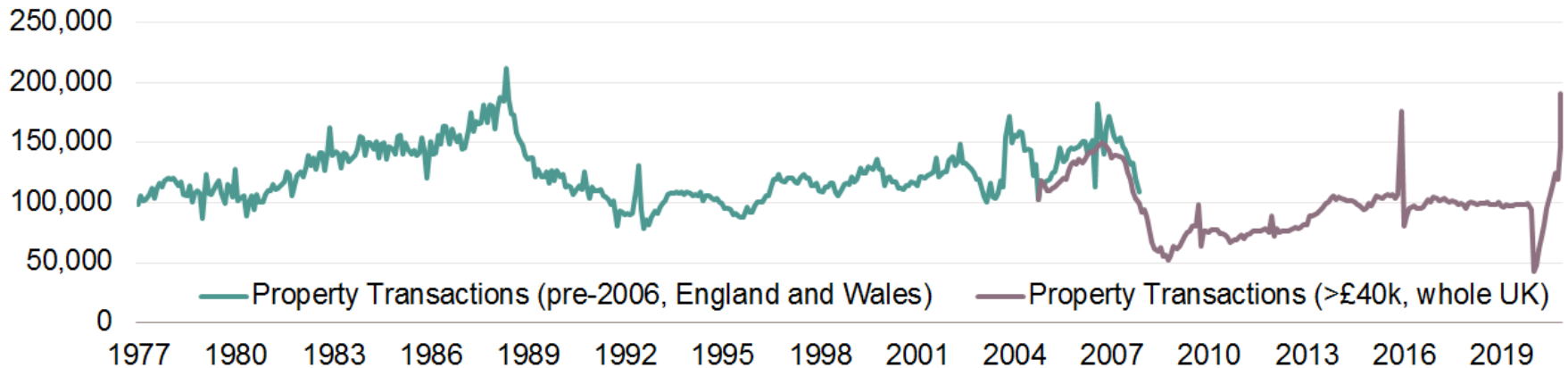
Property transactions

Monthly transactions, residential, seasonally adjusted

Annual total	
2016	1,234,500
2017	1,223,400
2018	1,190,350
2019	1,171,520
2020	1,041,610

- Stamp duty was altered significantly on 1 December 2003.
- In April 2016, there were 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.

- The seasonally adjusted UK property transaction count for March 2021 was 190,980 residential and 12,530 non-residential transactions.
- The seasonally adjusted count of residential property transactions in March 2021 is 32.2% higher than February 2021 and 102.3% higher than March 2020.



Source: HM Revenue & Customs

© GfK 2020 | Consumer Confidence Barometer | March 2021

Macro factors impacting Merchants



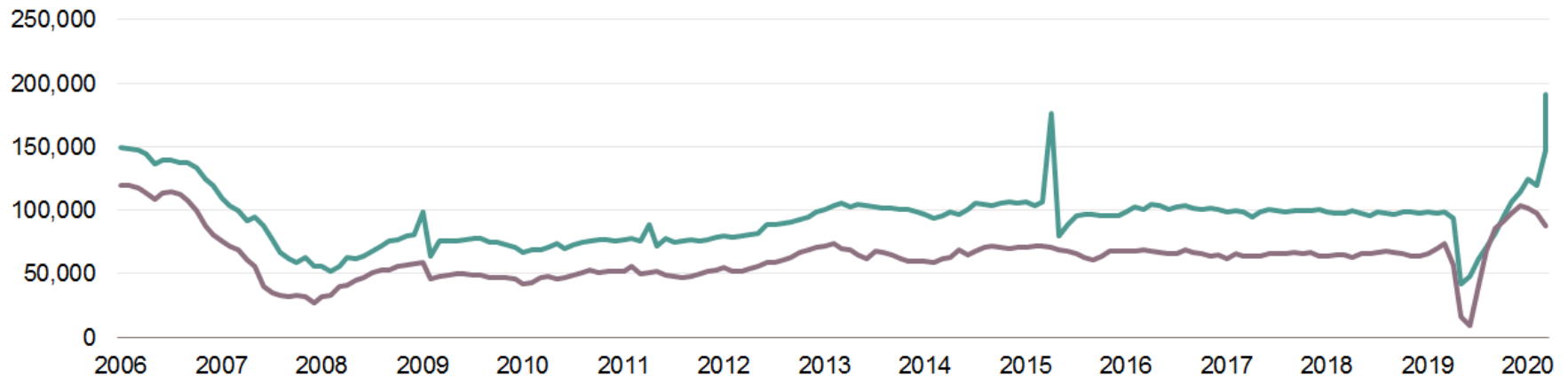
Mortgage approvals and property transactions

Monthly residential transactions and mortgage approvals (seasonally adjusted)

▪ Mortgage approvals for house purchase refers to the firm offers of lenders to advance credit secured on specific dwellings to their customers.

▪ The number of loan approvals for house purchase in the United Kingdom fell to 87,669 in February 2021 - this represents a 9.9% decrease from January 2021.

▪ The March/April 2016 peak and subsequent fall in property transactions, may be attributed to people rushing to beat the new stamp duty changes coming into force in April 2016.



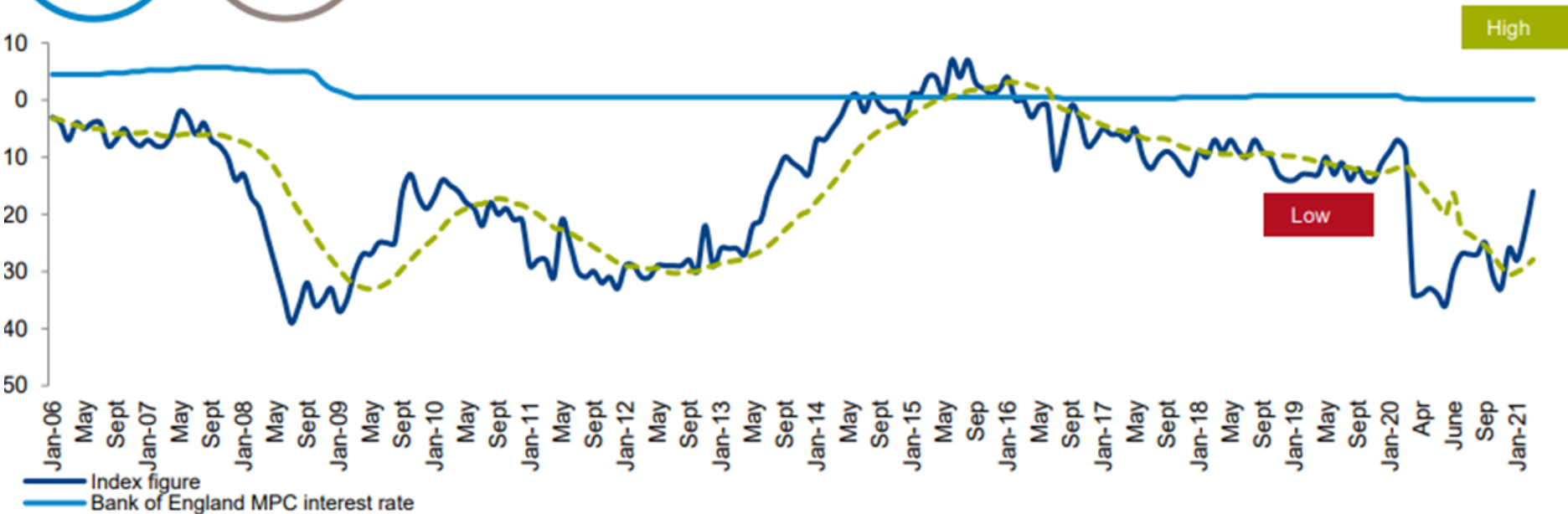
Source: HM Revenue & Customs

© GfK 2020 | Consumer Confidence Barometer | March 2021

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.

© GfK 2020 | Consumer Confidence Barometer | March 2021

“building **excellence**
in materials supply”

Plumbing & Heating Merchant Index



Quarter 1 2021

(Published 26 May 2021)

A Builders Merchant Building Index Publication

Introduction:

Plumbing & Heating Merchant Index



This Plumbing & Heating Merchant Index (PHMI) report contains data from GfK's ground-breaking Plumbing & Heating Merchants Panel, which analyses data from over 80% of Plumbing & Heating merchants' sales throughout Great Britain, accounting for about £3bn. There is no overlap or double counting between PHMI and Builders Merchant Building Index (BMBI).

GfK's Plumbing & Heating Point of Sale Tracking Data is a gold standard in reliable market trends. Unlike data from sources based on relatively small samples or estimates, or sales from suppliers to the supply chain, this up-to-date data is based on actual sales from specialist plumbing & heating merchants. It is, in effect, the market.

PHMI trend data is indexed on the 12 months of 2019. Currently, data is available by total monthly value sales and the series tracks what is happening in the plumbing and heating market month by month. This trend series gives the industry access to far more accurate insights than has been available. MRA Research produces the Plumbing & Heating Merchant Index, a brand of the BMF, to provide reliable data, and a platform and voice for this important industry and for leading plumbing and heating brands to communicate to the wider market.

PHMI Experts

Plumbing & Heating brands who are interested in becoming PHMI Experts, speaking for their markets and building their brands, should contact Ralph Sutcliffe: Ralph@mra-research.co.uk or Tom Rigby: Tom@mra-research.co.uk

More data available

This PHMI report provides valuable top-level indices but there's considerably more data available. GfK insights go much deeper and 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 produce like-for-like market comparability tailored to the requirements of an individual business. Merchants or suppliers who are interested in acquiring data or getting involved should contact Emile van der Ryst at emile.van-der-ryst@gfk.com.

Strong March for plumbing and heating merchants contributes to positive first quarter

March 2021 plumbing and heating product sales, representing data from over 80% of Plumbing & Heating merchants' sales, were up 26.0% on March 2020, with one more trading day this year. (See [page 77](#)). Average sales a day, which take trading day differences into account, were 20.5% higher than in March 2020.

Comparisons with March last year will have been affected by merchants closing branches at the start of Covid-19 'Lockdown 1', which took effect from 24 March. Consequently, year-on-year comparisons with that period will show significant gains. Taken on face value these gains could be considerable but, with last year being so weak, it will be difficult to assess just how good this year's figures really are. By also looking back over two years, it is possible to see how well the market performed – by benchmarking 2021 against more normal trading conditions and validating the strength of this year's trading. March 2021 was 13.7% higher than March 2019, with two more trading days this year. Average sales a day were up 3.8%.

Value sales in March 2021 were 15.5% higher than in February 2021 ([page 79](#)), helped by three more trading days this month. Average sales a day in March were flat (+0.4%) compared with February.

Quarter 1 2021 saw sales 6.8% higher than in Quarter 1 2020, with one less trading day this year. Average sales a day in Q1 were up 8.5% compared with Q1 last year. ([Page 74](#)). Looking back over two years, sales in the first quarter of 2021 were 3.5% higher than the same period in 2019, with no difference in trading days.

Sales in Quarter 1 2021 were 3.1% higher than in Quarter 4 2020. ([Page 75](#)). However there were three more trading days in the most recent quarter and when taking these into account, average sales a day were 1.8% lower than in Q4 2020.

The PHMI Index for March 2021, which contrasts sales with the base period of January to December 2019, was 118.2, helped by two more trading days – see the table on [page 72](#) and the chart on [page 76](#). The table also shows the PHMI Index for Quarter 1 2021 was a little weaker, at 106.0.

March 2021 plumbing and heating product sales, representing data from over 80% of Plumbing & Heating merchants' sales, were up 26.0% on March 2020.

Indices: Monthly and quarterly

April 2020 to March 2021

(Indexed on January to December 2019)

Apr 20	May 20	Jun 20	Three months
34.8	46.0	73.4	51.4
Jul 20	Aug 20	Sep 20	Three months
88.3	85.9	103.0	92.4
Oct 20	Nov 20	Dec 20	Three months
115.2	111.1	83.9	103.4
Jan 21	Feb 21	Mar 21	Three months
99.4	102.4	118.2	106.6

Indices are a measure that express sales values relative to a fixed base, enabling rapid performance comparisons to be made. The Plumbing & Heating Merchant Index uses total sales in 2019 to create monthly and quarterly base periods. These represent average performance.

The figures above express how the periods compare with the 2019 base:

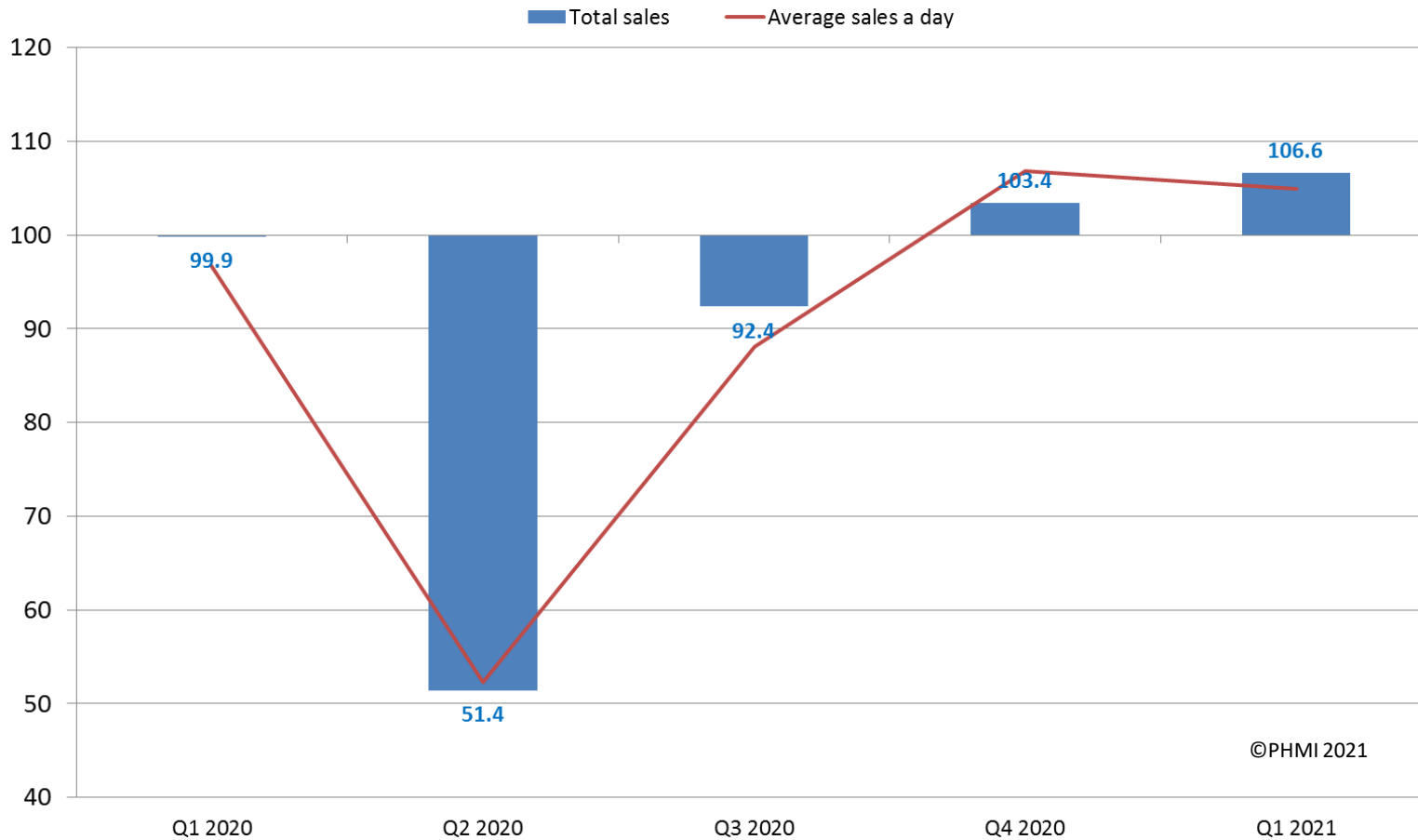
- If turnover was exactly the same, the Index would be 100.
- Values over 100 indicate higher turnover in that period. For example, March's index of 118.2 means turnover was 18.2% above the base period.
- Values below 100 indicate lower turnover in that period. December's Index of 83.9 means turnover was 16.1% lower than the base period.

 **Source:** GfK's
Plumbing & Heating
Point of Sale Tracking
Data, Jan 2019 to Mar 2021

Quarterly: Index

Adjusted and unadjusted for trading days

Indices: Q1 2020 to Q1 2021



Value figures
shown for Total
sales

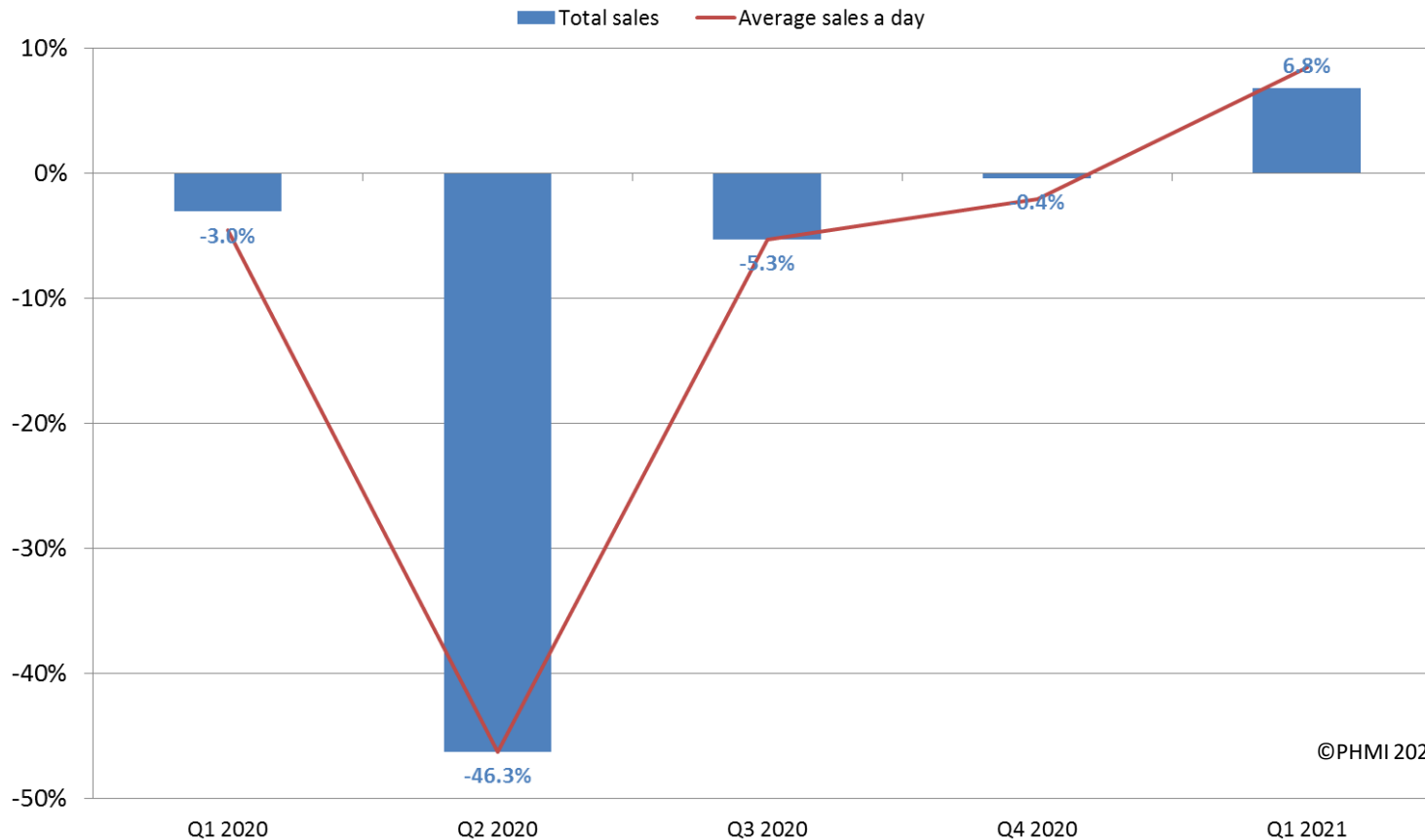
©PHMI 2021

 Source: GfK's
Plumbing & Heating
Point of Sale Tracking
Data, Jan 2019 to Mar 2021

Quarterly: This Year v Last Year

Sales indices, adjusted and unadjusted
for trading days*

Quarter: year on year



Value figures
shown for Total
sales

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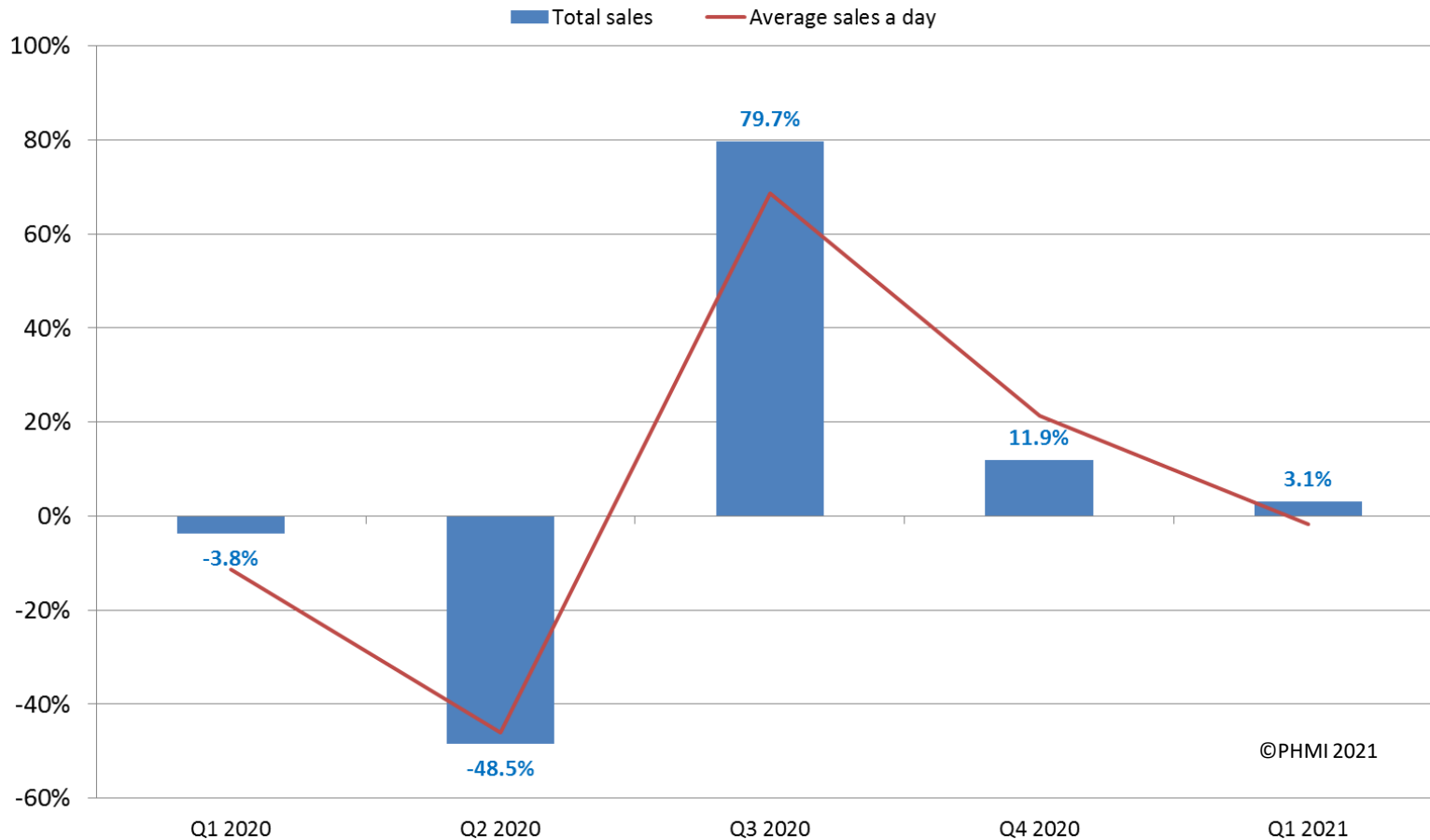
 Source: GfK's
Plumbing & Heating
Point of Sale Tracking
Data, Jan 2019 to Mar 2021

*Some merchants temporarily closed branches between March and May 2020 and this will have affected trading day comparisons.

Quarterly: Quarter v previous quarter

Sales indices, adjusted and unadjusted
for trading days

Quarter v previous quarter



Value figures
shown for Total
sales

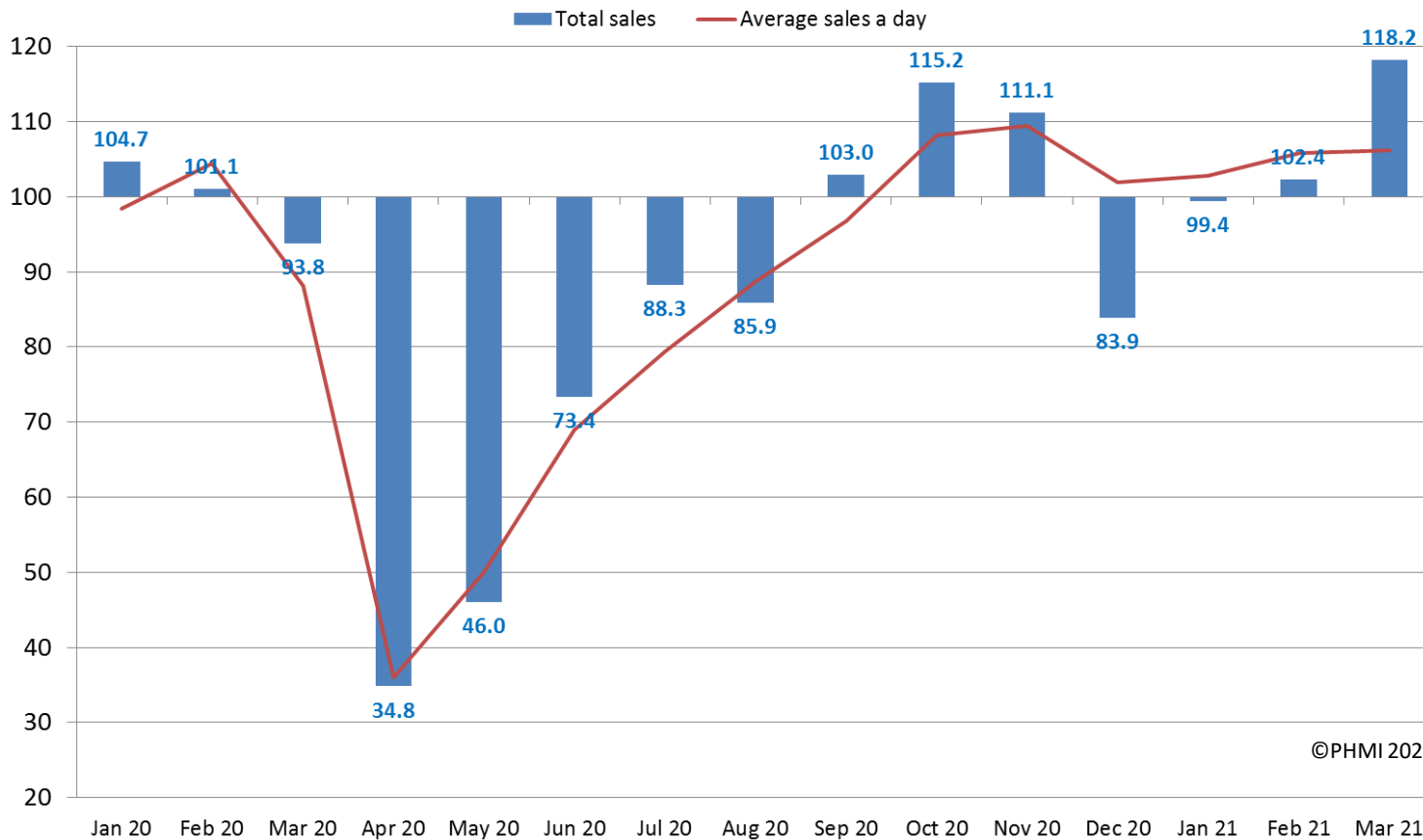
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 Source: GfK's
Plumbing & Heating
Point of Sale Tracking
Data, Jan 2019 to Mar 2021

Monthly: Index

Adjusted and unadjusted for trading days*

Indices: January 2020 to March 2021



Value figures shown for Total sales

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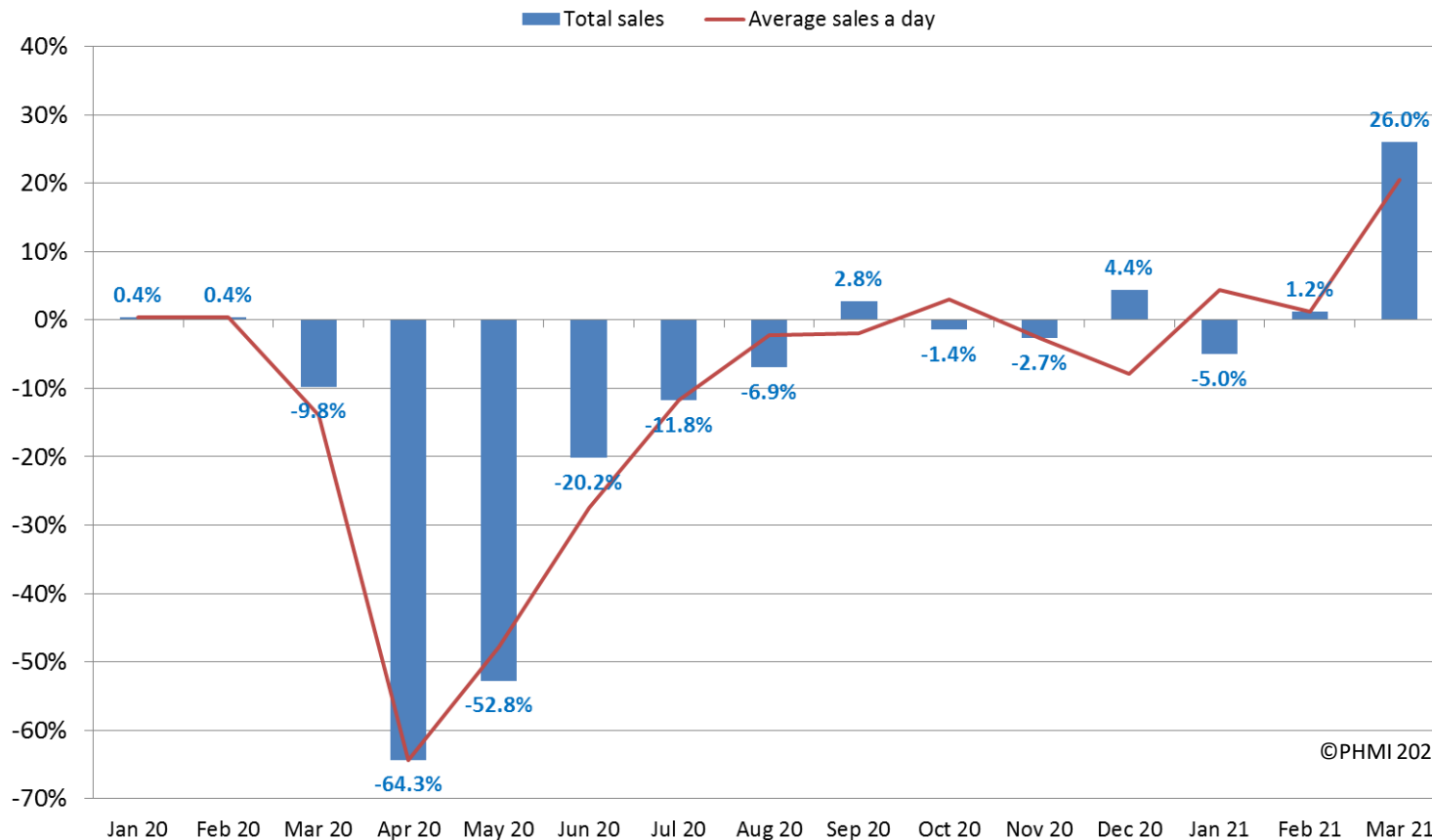
 Source: GfK's Plumbing & Heating Point of Sale Tracking Data, Jan 2019 to Mar 2021

*Some merchants temporarily closed branches between March and May 2020 and this will have affected trading day comparisons.

Monthly: This Year v Last Year

Sales indices, adjusted and unadjusted
for trading days*

Month: year on year



Value figures
shown for Total
sales

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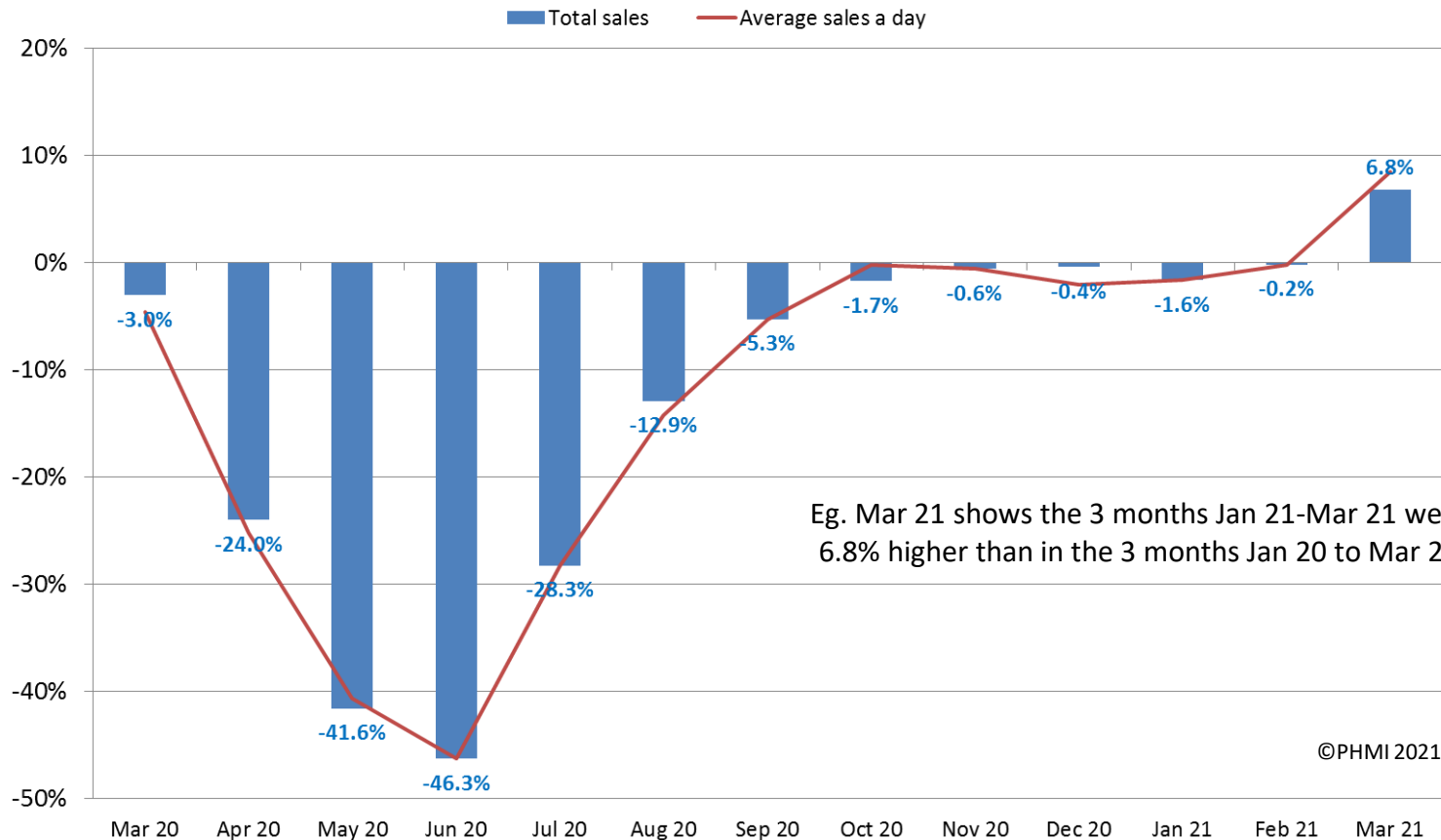
 Source: GfK's
Plumbing & Heating
Point of Sale Tracking
Data, Jan 2019 to Mar 2021

*Some merchants temporarily closed branches between March and May 2020 and this will have affected trading day comparisons.

Rolling 3-months: This year v last year

Sales indices, adjusted and unadjusted
for trading days*

Rolling 3 months: year on year



Value figures
shown for Total
sales

Eg. Mar 21 shows the 3 months Jan 21-Mar 21 were
6.8% higher than in the 3 months Jan 20 to Mar 20

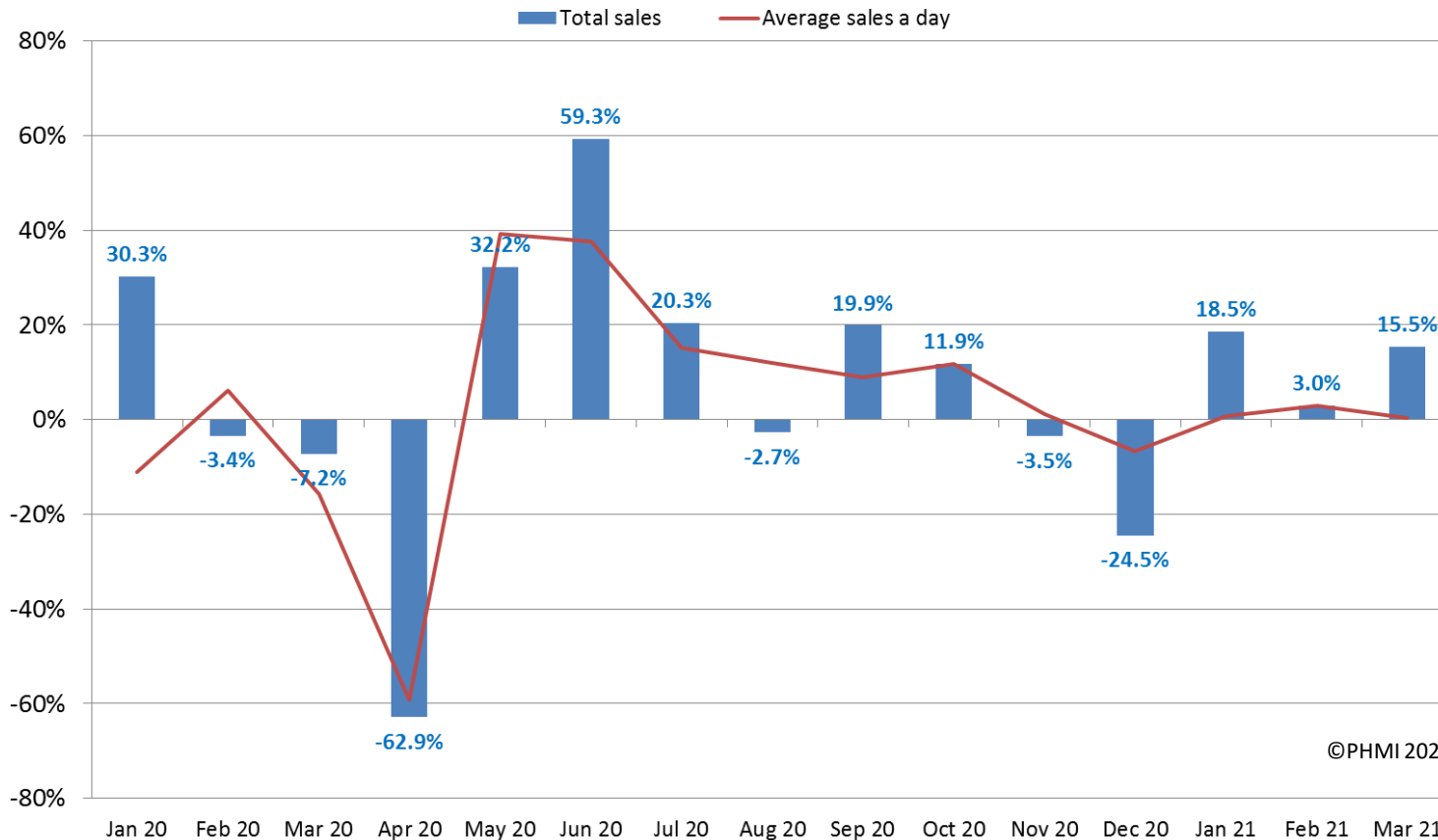
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 Source: GfK's
Plumbing & Heating
Point of Sale Tracking
Data, Jan 2019 to Mar 2021

Monthly: Month v previous month

Sales indices, adjusted and unadjusted
for trading days*

Month v previous month



Value figures
shown for Total
sales

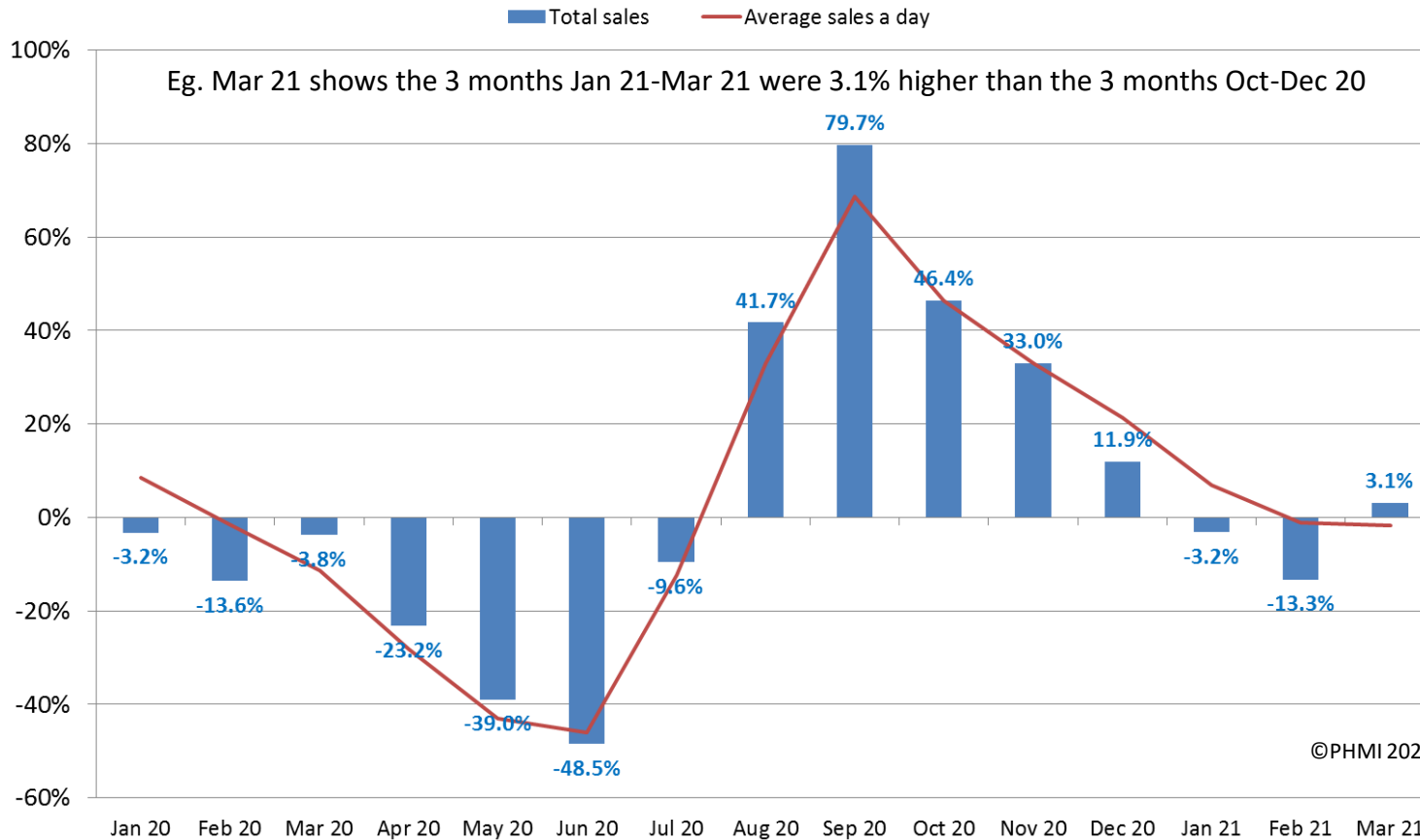
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 Source: GfK's
Plumbing & Heating
Point of Sale Tracking
Data, Jan 2019 to Mar 2021

Rolling 3-months: v previous 3 months

Sales indices, adjusted and unadjusted
for trading days*

Rolling 3 months v previous 3 months



Value figures
shown for Total
sales

*Some merchants temporarily closed branches between March and May 2020 and this will have affected trading day comparisons.

 Source: GfK's
Plumbing & Heating
Point of Sale Tracking
Data, Jan 2019 to Mar 2021

PHMI Trading Days

Monthly

Index: 20.8

2020											
Jan	Feb	Mar*	Apr*	May*	Jun	Jul	Aug	Sep	Oct	Nov	Dec
22	20	22	20	19	22	23	20	22	22	21	17
2021											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
20	20	23									

Quarterly

Index: 62.3

2020			
Q1	Q2	Q3	Q4
64	61	65	60
2021			
Q1	Q2	Q3	Q4
63			

Half Year

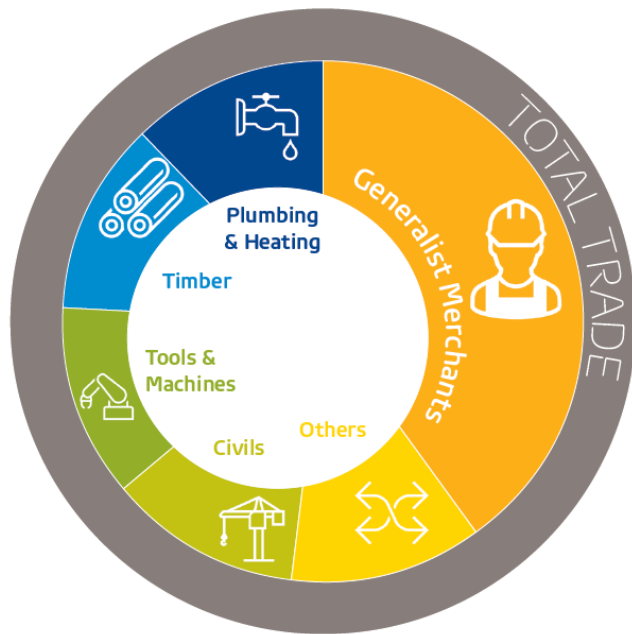
2020	
H1	H2
125	125
2021	
H1	H2

Full Year

2020
250
2021

*Due to the Covid-19 pandemic, some merchants temporarily closed branches in the period March to May 2020, hence their trading days may have differed from the standard numbers shown above.

Plumbing & Heating channel definition and merchants



Plumbing Specialists

Plumbing & Hardware Specialists are small outlets handling nails, hardware products, pipes, ironware, paint, faucets, sanitary products, bathroom accessories, ceramic tiles and heating equipment such as boilers, radiators & heating controls.

Their main turnover is generated with product groups such as installation, paint & plumbing/hardware product groups (e.g. nails, saws, scissors, keys).

Plumbing Merchants

Large outlets handling nails, hardware products, pipes, ironware, paint, faucets, sanitary products, bathroom accessories & kitchen, bathroom furniture, bath tubs and heating equipment such as boilers, radiators & heating controls. Compared with Plumbing Specialists they are bigger & generate a higher turnover.

Their main turnover is generated with bath/kitchen faucets, sanitary & complementary products, bathroom accessories, tiles and bath tubs and bathroom furniture.

Turnover is generated with professional end users (B2B) as well as private end users (B2C).

Merchant partners include:



Plumbing Trade Supplies



Contacting PHMI

PHMI Experts

Plumbing & Heating brands who are interested in becoming PHMI Experts and speaking for their markets and building their brands should contact Tom Rigby or Ralph Sutcliffe :



Tom Rigby

Commercial Manager

tom@mra-marketing.com

+44 (0) 7392 081276



Ralph Sutcliffe

Business Development
Director

ralph@mra-marketing.com

+44 (0) 1453 521621

More data available

The PHMI report provides valuable top-level indices but there's considerably more data available. GfK insights go much deeper and 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 produce like-for-like market comparability tailored to the requirements of an individual business. Merchants or suppliers who are interested in acquiring data or getting involved should contact Emile van der Ryst:



Emile van der Ryst

Senior Client Insight Manager -
Trade

Emile.van-der-ryst@gfk.com

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“building **excellence**
in materials supply”



BMF Forecast Report

BMF Forecast Report

Spring 2021 edition



Builders Merchants Industry Forecast Report

The BMF has released the seventh edition of its Builders Merchants Industry Forecast, covering 2021.

While Builders Merchants Building Index (BMBI) data, which is provided by GfK and is based on actual sales category performance, has enabled users to see which products and regions are currently growing, the forecast report takes this one stage further to meet the industry's need for accurate forecasting.

The BMF forecast model incorporates several lead indicators to signal future events that will impact our markets.

Using BMBI data coupled with advanced modelling techniques the BMF has developed a channel-specific forecasting model to show what is likely to happen in the next 12 months, making it possible for merchants and suppliers to forecast their customers' requirements more accurately.

The report is updated on a quarterly basis, with the Spring 2021 edition available now. The forecast report can be downloaded by BMF members free of charge - once logged in – [here](#).

Non-members can purchase the report by contacting Richard Ellithorne on 024 7685 4980 or email: richard.ellithorne@bmf.org.uk



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in materials supply"

**Builders Merchants
Industry Forecast**
2021

Year in Review
Spring Edition
£250

The BMF. Building your people. Building your skills. Building your business. Building your voice. Building excellence.

Contact us

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