

“building **excellence**
in materials supply”

Builders Merchant Building Index



Quarter 4 2022

(Published 23 February 2023)

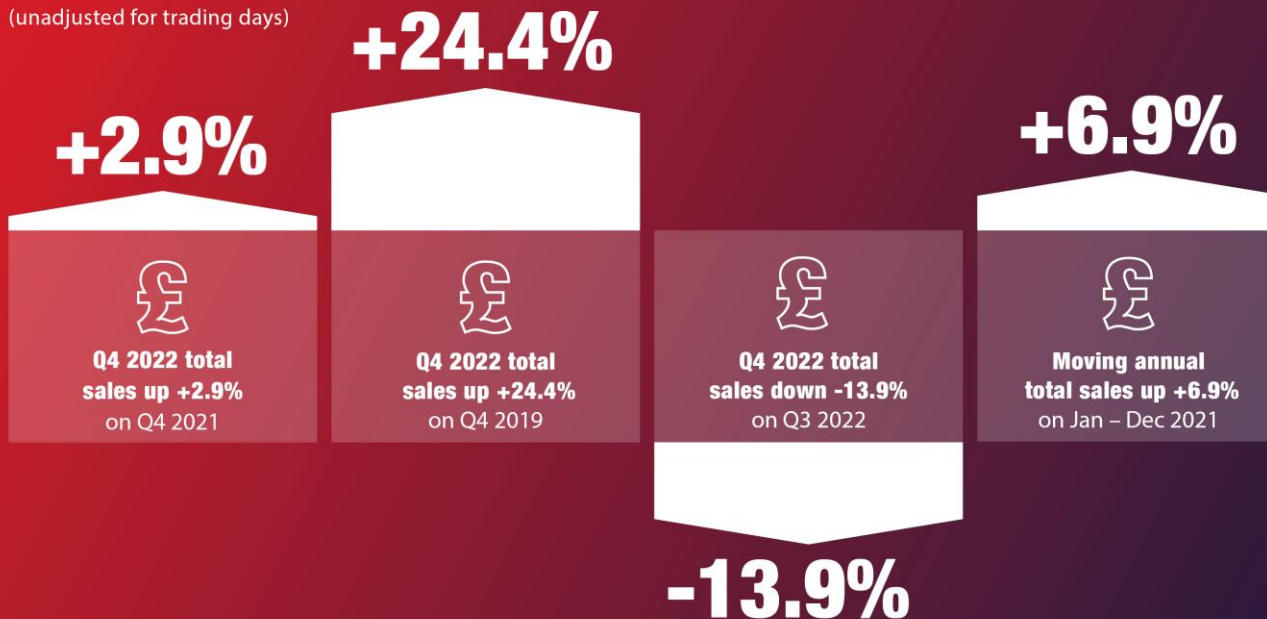
Highlights

“Twenty twenty-two turned out completely different and included a Russian invasion of Ukraine, subsequent energy crisis, a global rise in inflation, a cost-of-living crisis and in the UK’s case, three prime ministers in two months and a disastrous economic policy rejected by the market.” Emile van der Ryst, Senior Client Insight Manager - Trade, GfK. Read Emile’s full comment on page 6.

BMBI Report

Q4 2022 Highlights

(unadjusted for trading days)



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“Q4 2022 sales were up +2.9%, but volume was down -11.6% with +16.4% price inflation.”

Note: As one or two year comparisons are still likely to produce some unusual differences, we are comparing 2022 figures with 2019, where possible, to give a pre-Covid three-year comparison

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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.

The monthly series tracks what is happening in the market month by month and includes an in-depth review every quarter. BMBI Index data is calculated on the 12 month base period July 2014 to June 2015. This trend series gives the industry access to far more accurate and comprehensive insights than that available to other construction sectors.

Executive Summary

Short of time and just want to read the headlines? Download an Executive Summary that provides a snapshot on value sales and trends from Britain's Builders' Merchants for Quarter 4 and December 2022 [here](#).

BMBI Expert Panel

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. **Meet the Experts and read their comments on pages 18 to 31 of this report or read their previous comments [here](#).**

Recognition for BMBI

One of the aims of BMBI is to reach across and beyond construction. It's now syndicated to a growing number of trade magazines in different sectors on a regular basis. Outside the industry, economists, banks, consultancies, investment bodies and the big accountants regularly refer to it and BMBI is referenced alongside the Office for National Statistics (ONS) data in the Government **Department for Business, Energy and Industrial Strategy (BEIS)** monthly construction update. **Download the latest update [here](#).**



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 **Emile van der Ryst** at emile.van-der-ryst@gfk.com.

Overview and Insights

Emile van der Ryst,

Senior Client Insight Manager - Trade, GfK



During 2021 we widely believed that 2020 was a once off and that things were on their way up, with various market predictions at the beginning of the year indicating some form of growth. Twenty twenty-two turned out completely different and included a Russian invasion of Ukraine, subsequent energy crisis, a global rise in inflation, a cost-of-living crisis and in the UK's case, three prime ministers in two months and a disastrous economic policy rejected by the market.

Despite all this, the builders' merchants' sector was still able to see value growth against 2021 as a whole of 6.9%, driven by price growth of 16.2% and a volume decline of -8.0%. All the categories saw value growth apart from Timber & Joinery and Landscaping, which declined by -2.2% and -0.6% respectively. The best performing category for the year was Renewables and Water Management, up by 31.5%.

Looking at Heavy Building Materials in more detail, a full year view sees a value increase of 11.6%, with a noticeable price growth of 18.6%. Volume was down by -5.9%, indicating that it was less affected than Timber & Joinery and Landscaping, which saw volume declines of -15.5% and -14.9% respectively. Lower-level Heavy Building Materials categories that contributed to value growth the most included Cement, Insulation, Lintels and Plasterboard.

A quarterly review against 2021's applicable quarter also shows the increased difficulty the sector experienced as the year went on. The first quarter saw growth of 17.7% in value, followed by 4.1%, 4.3% and 2.9% in quarters two to four. Price growth was consistently high each quarter, sitting between 15.0% and 17.7%, while volume started at +1.5% in quarter one and dropped to -11.6% in the fourth quarter. Landscaping especially was under pressure, with quarter four volumes down by -20.5%.

2023 brings more uncertainty as the war in the Ukraine continues and tensions between the US and China continue to simmer. The Chinese property sector is forecasted to struggle, while there is also an expectation that UK house prices will drop. The recent news of a recession that isn't as deep and long in the UK is a welcome glimmer of hope to start the year with.

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Merchants' View

John Newcomb, CEO BMF



With so much volatility in the UK economy it comes as no surprise that some areas of construction slowed during the final quarter of 2022.

The latest quarterly estimate from the Office of National Statistics (ONS) found that quarterly construction output increased by +0.3% in Q4 2022 compared to Q3 2022. Although the increase came from growth in both new work (+0.4%) and repair and maintenance (+0.1%), this was largely related to rises in infrastructure and public other new work, and non-housing repair and maintenance. However, two important sub-sectors for builders' merchants experienced negative growth, with private housing new work falling by -0.74% and private housing repair and maintenance also down by -0.55%.

The Federation of Master Builders' (FMB) State of Trade Survey highlighted some potentially worrying signs in the SME sector with workloads and enquiries falling significantly in Q4 compared to Q3 2022. Given the main customer base for FMB members, this likely stems from consumers' concerns about the economy during a period of double-digit inflation and monthly increases in mortgage interest rates.

Drilling down into the FMB survey, housing repair and maintenance at +2% saw the highest net increase on balance for workload in Q4, but this was significantly below the +12% figure recorded for Q3 2022. Further signs of slowdown were seen in housebuilding (-18%) and industrial and commercial (-11%), where decreased workloads were recorded for the first time in 2022.

A similar picture emerged in Glenigan's latest Construction Review, which found residential starts down by -26% in the three months of November 2022 to January 2023 compared to the preceding three months, and -38% lower than the same period a year earlier.

From a more positive perspective, slowing demand throughout the quarter has helped to ease the pressures on product supply. With forecasts for 2023 predicting a further slowdown in the first half of the year, general product availability should have an opportunity to recover before the market begins to recover in the second half of the new year.

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Quarterly: This Year v Last Year

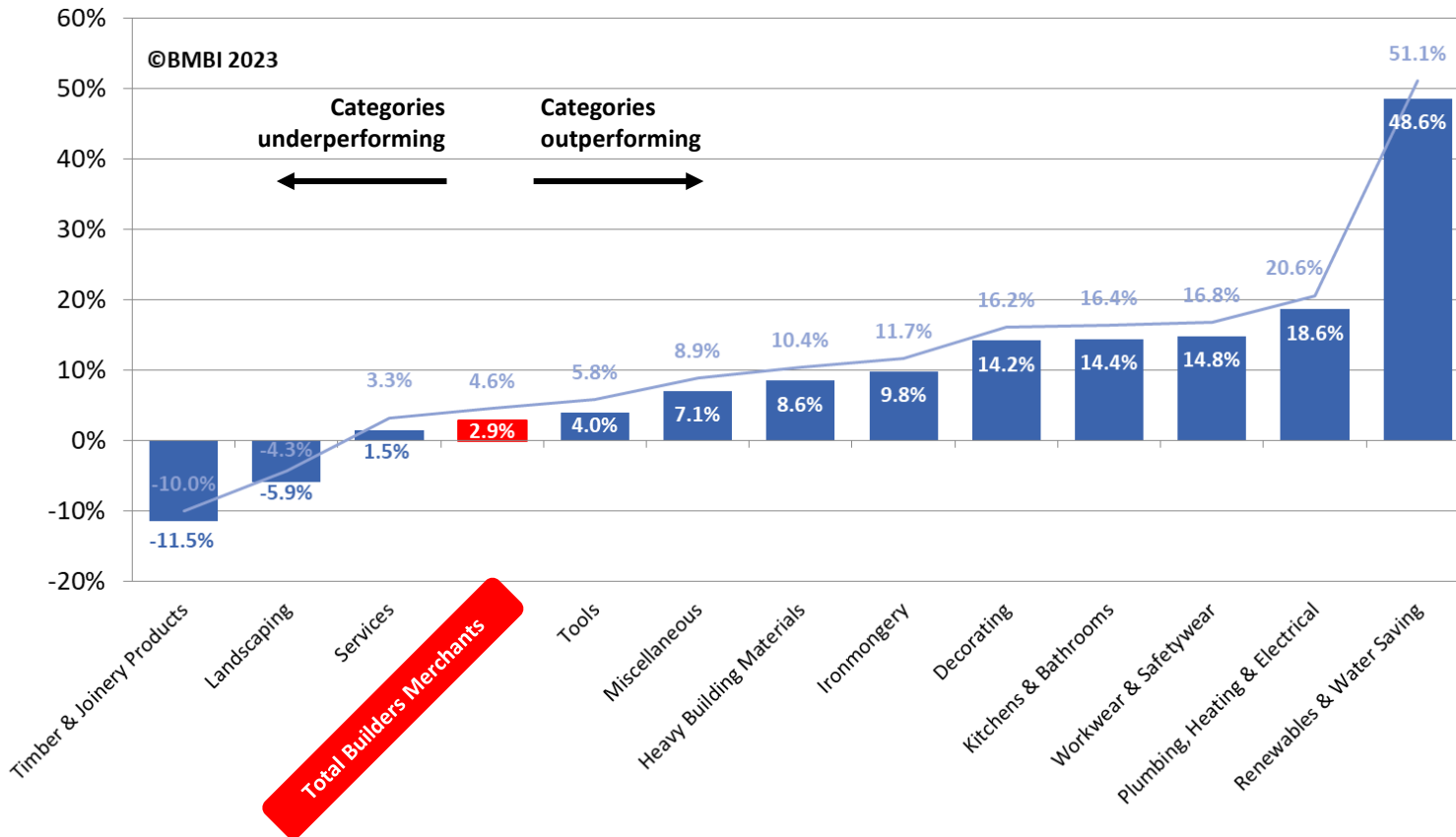
Q4 2022 sales and like-for-like sales

59 trading days this year v 60 trading days last year. Like-for-like sales take trading day differences into account.



Quarter 4 2022 v Quarter 4 2021

Sales — Like-for-like sales



Source: GfK's Builders Merchants Total Category Report July 2015 to December 2022

Total sales in Quarter 4 were up +2.9% on the same period last year. Volume sales were -11.6% down with price up +16.4%.

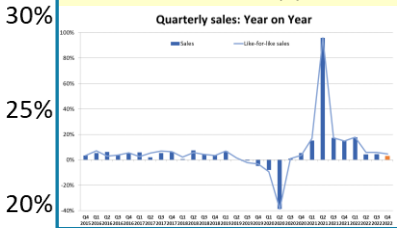
Quarterly sales: Year-on-year

Sales and Like-for-like sales

59 trading days this year v 60 trading days last year. Like-for-like sales take trading day differences into account.

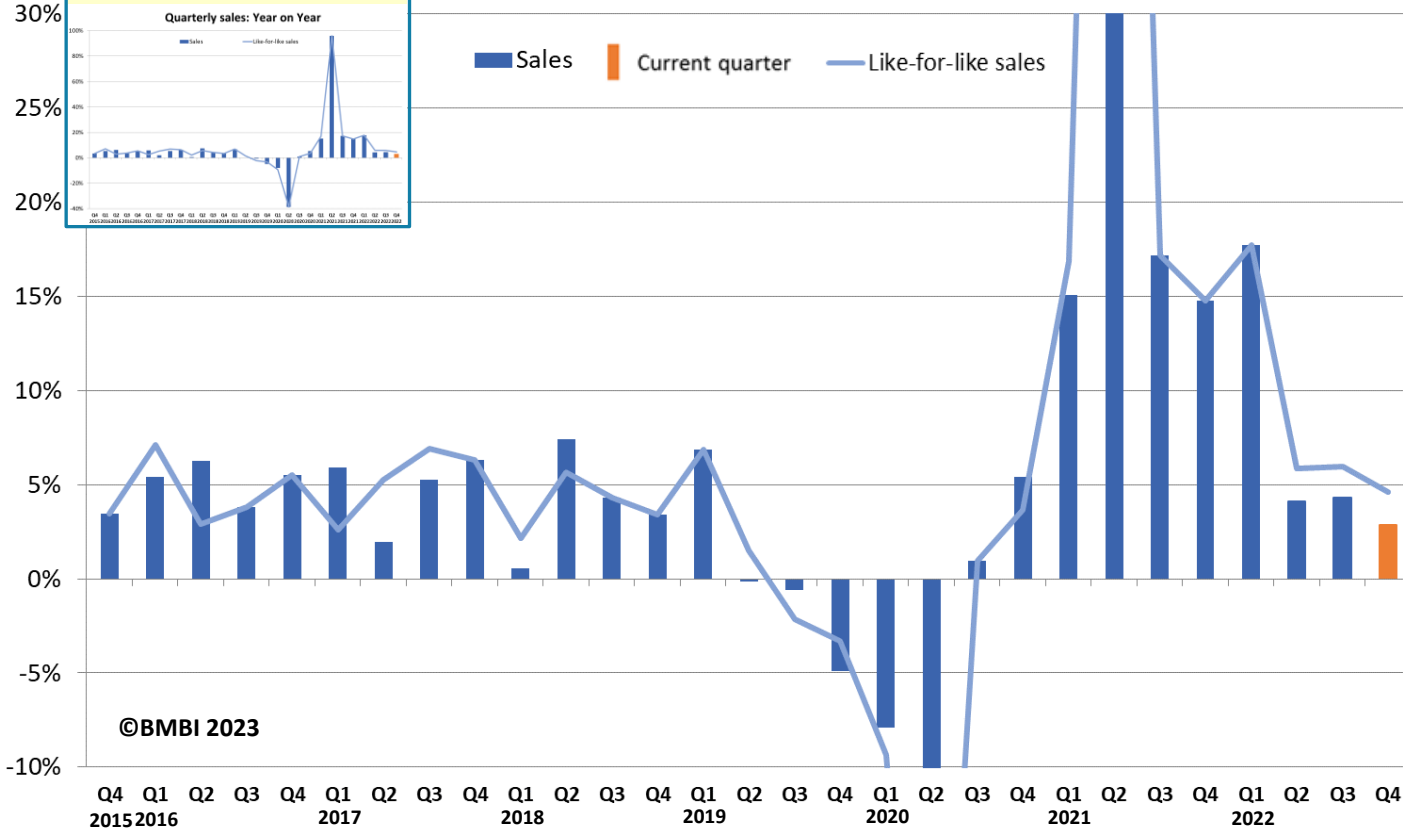


Same chart with scale set to show Covid slump and first anniversary peak



Quarterly sales: Year on Year

Year-on-year sales peaked at +96.0% in Q2 2021



Year-on-year sales slumped to -38.6% in Q2 2020

Source: GfK's Builders Merchants Total Category Report July 2015 to December 2022

Like-for-like sales were +4.6% higher in Quarter 4 2022 than in Quarter 4 2021.

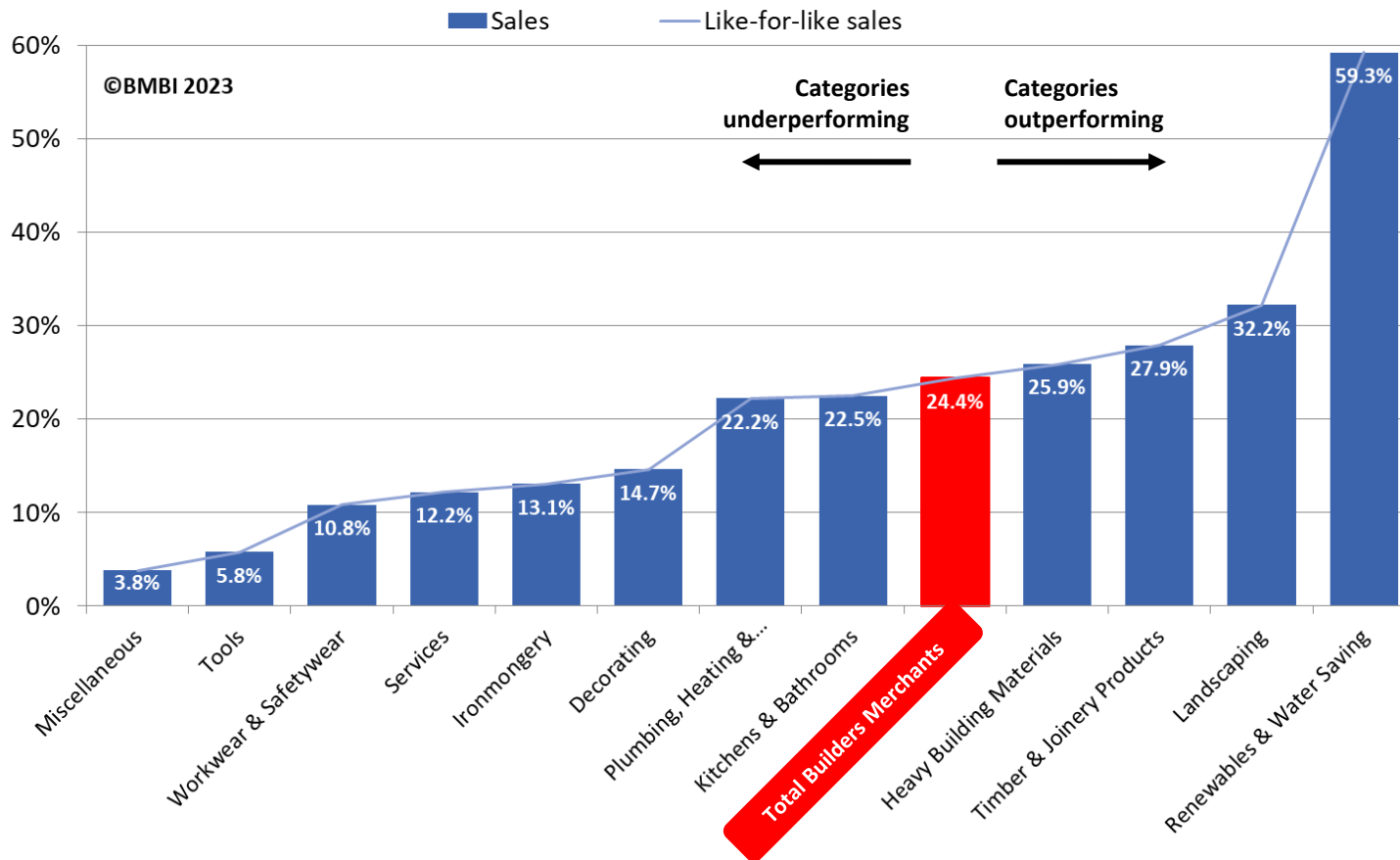
Quarterly: This Year v 2019

Q4 2022 3-year sales and like-for-like sales

There were no differences in trading days this year v three years ago (59). Like-for-like sales take trading day differences into account.



3-year comparison: Quarter 4 2022 v Quarter 4 2019



Source: GfK's Builders Merchants Total Category Report July 2015 to December 2022

Four categories grew faster than Total Merchants in Q4 2022 compared with Q4 2019 (pre-pandemic): Renewables & Water Saving (+59.3%), Landscaping (+32.2%), Timber & Joinery Products (+27.9%) and Heavy Building Materials (+25.9%).

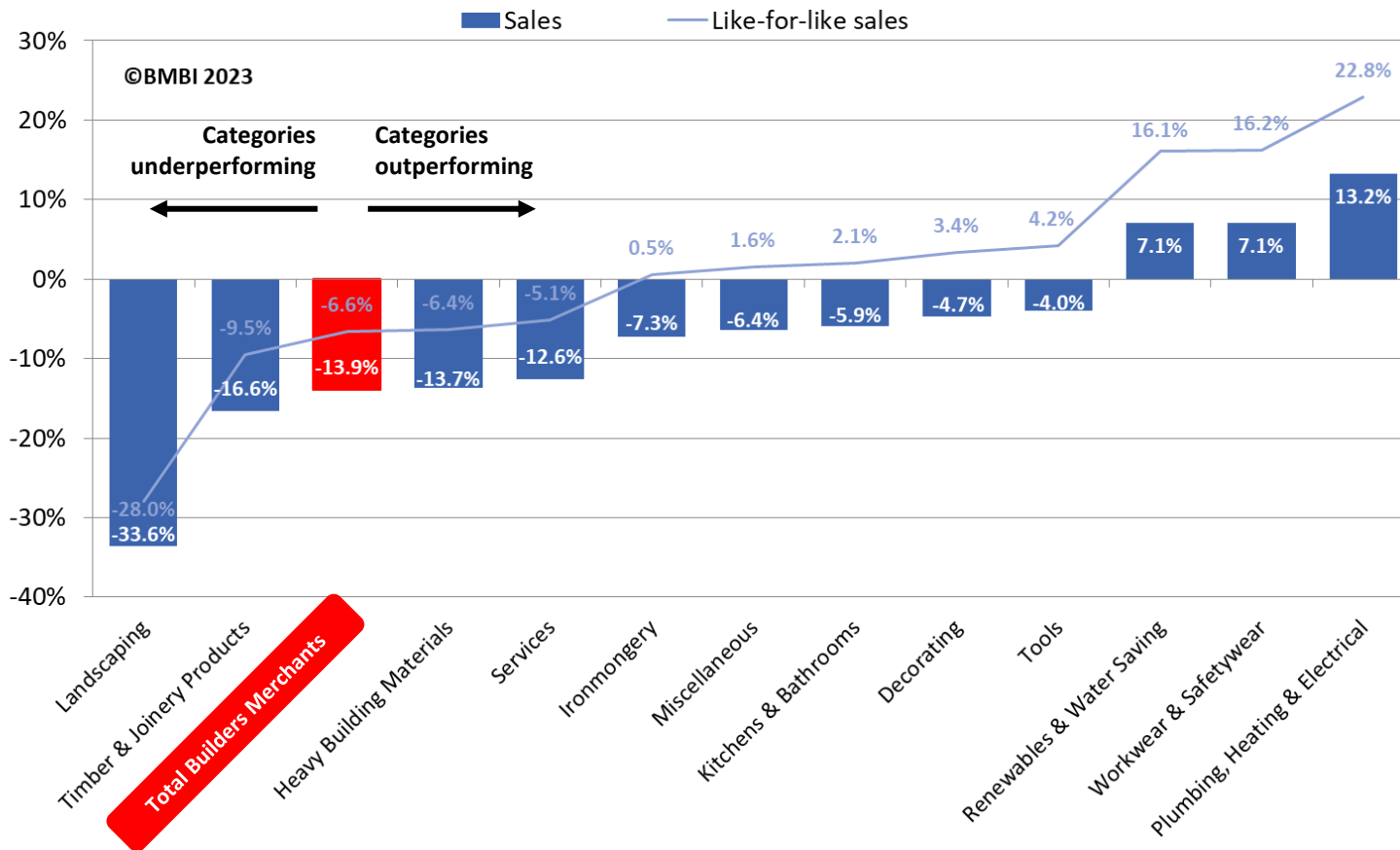
Quarterly: Quarter on Quarter

Q4 2022 sales and like-for-like sales

59 trading days this quarter v 64 trading days last quarter. Like-for-like sales take trading day differences into account.



Quarter 4 2022 v Quarter 3 2022



Source: GfK's Builders Merchants Total Category Report July 2015 to December 2022

Total sales in the latest three months were -13.9% lower than in the previous three months.

Seasonal category Plumbing, Heating & Electrical (+13.2%) grew most.

Quarterly: Index and Categories

Quarter 4 2020* to Quarter 4 2022

Indexed on July 2014 to June 2015



QUARTERLY SALES VALUE INDEX	Index	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Total Builders Merchants	100	111.1	120.7	149.7	146.1	127.5	142.1	155.8	152.3	131.2
Timber & Joinery Products	100	125.4	141.5	183.0	191.9	160.7	171.7	177.5	170.6	142.3
Heavy Building Materials	100	106.8	113.1	136.3	133.3	118.7	132.7	148.8	149.2	128.8
Decorating	100	99.5	101.1	112.2	112.9	104.6	114.2	120.1	125.4	120.0
Tools	100	90.7	99.6	103.0	97.6	94.6	107.3	106.1	102.0	97.6
Workwear & Safetywear	100	113.3	117.3	103.9	98.3	113.3	117.1	112.4	121.5	130.1
Ironmongery	100	112.6	119.3	133.8	126.2	117.2	133.4	135.5	138.8	128.5
Landscaping	100	112.1	141.5	237.5	184.0	128.3	161.9	222.5	181.7	120.6
Plumbing, Heating & Electrical	100	116.0	122.9	118.6	116.7	127.2	143.0	129.8	133.2	150.9
Renewables & Water Saving	100	62.6	70.3	77.2	71.2	70.9	90.9	86.0	98.5	104.8
Kitchens & Bathrooms	100	109.8	107.5	116.7	125.3	120.8	135.7	138.3	146.9	138.2
Miscellaneous	100	108.6	115.9	119.2	122.1	114.3	130.7	128.3	130.5	119.3
Services	100	107.3	110.4	127.9	132.1	121.8	126.4	138.0	141.5	123.7

*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 2022

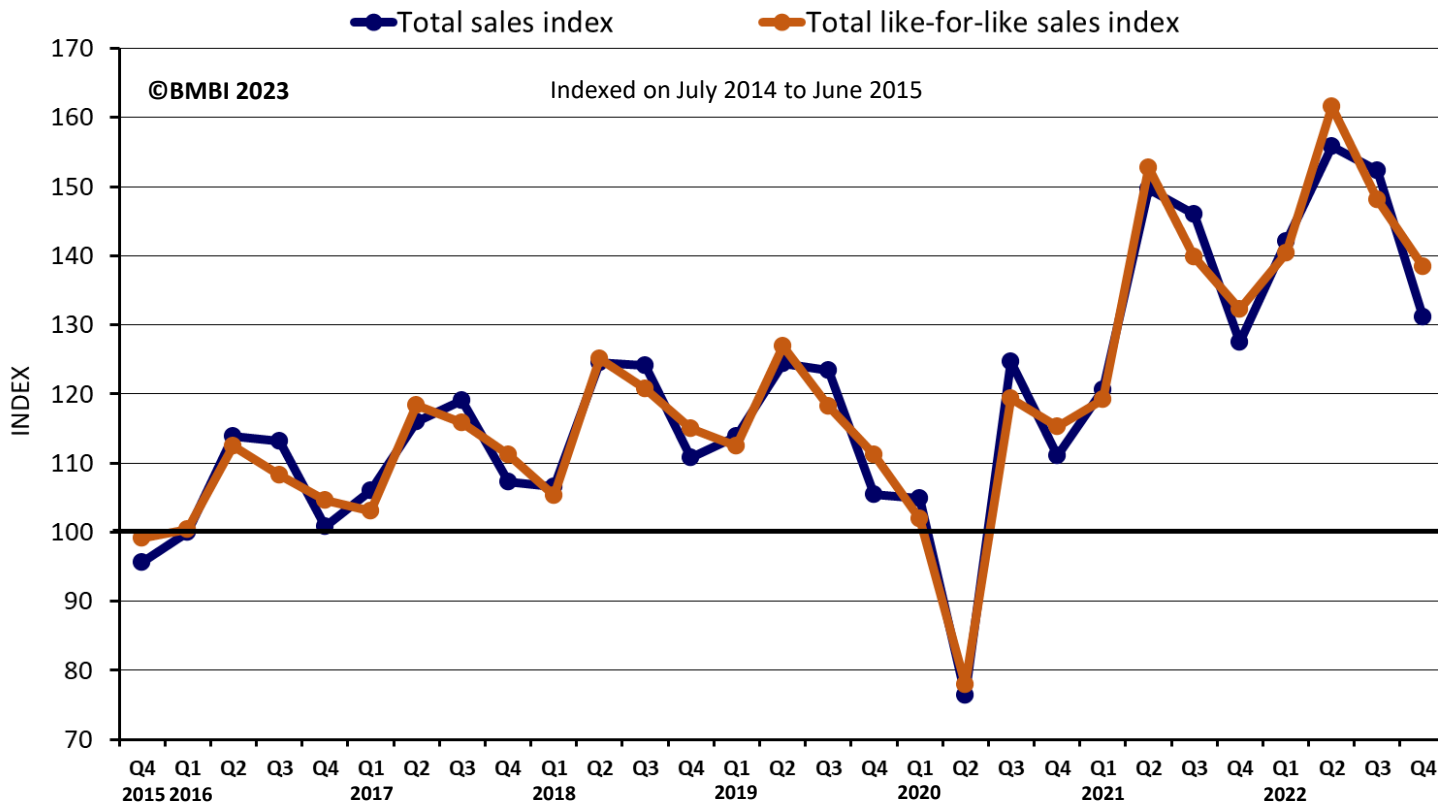
Quarterly: Index

Sales and Like-for-like index

59 trading days this quarter v 62 in the Index base period. Like-for-like sales take trading day differences into account.

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

Total Builders Merchants sales index v like-for-like sales index



The Quarter 4 BMBI Index was 131.2.

With three less trading days in the most recent period, the like-for-like sales index was 138.4.

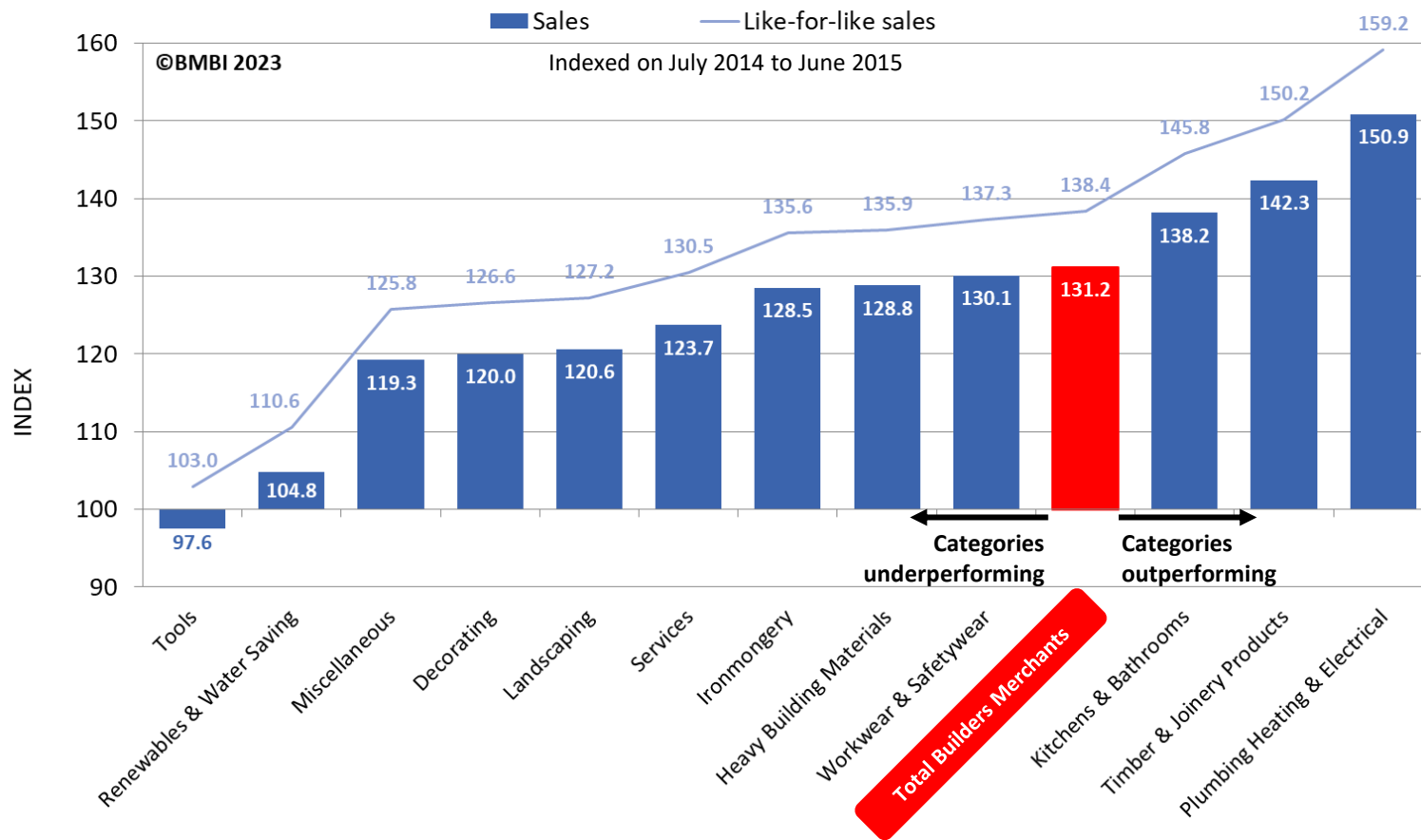
Quarterly: Index and Categories

Q4 2022 index

59 trading days this quarter v 62 in the Index base period. Like-for-like sales take trading day differences into account.



Quarter 4 2022



Source: GfK's Builders Merchants Total Category Report July 2015 to December 2022

Plumbing, Heating & Electrical (150.9), Timber & Joinery Products (142.3) and Kitchens & Bathrooms (138.2) were strongest.

Quarterly: Index and Categories - 1

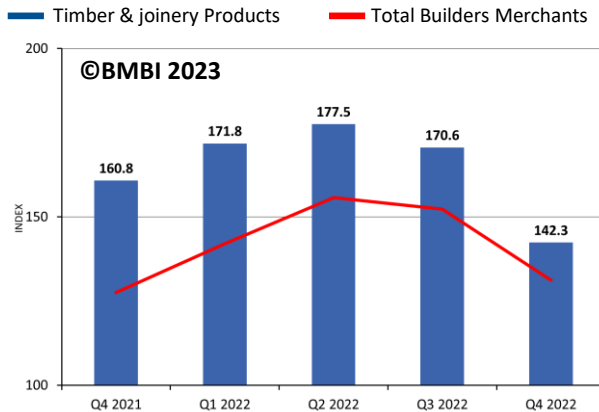
Quarterly indices



Source: GfK's Builders Merchants Total Category Report
July 2015 to December 2022

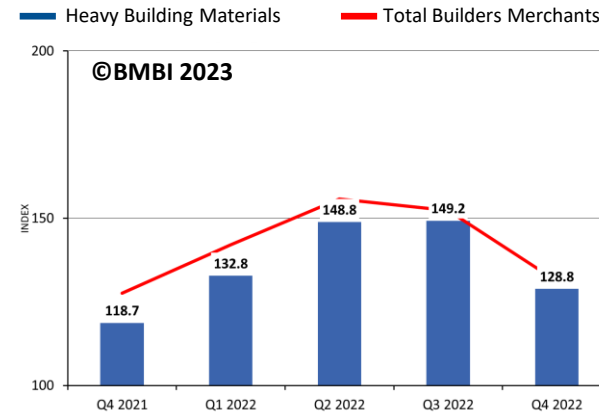


Timber & Joinery Products



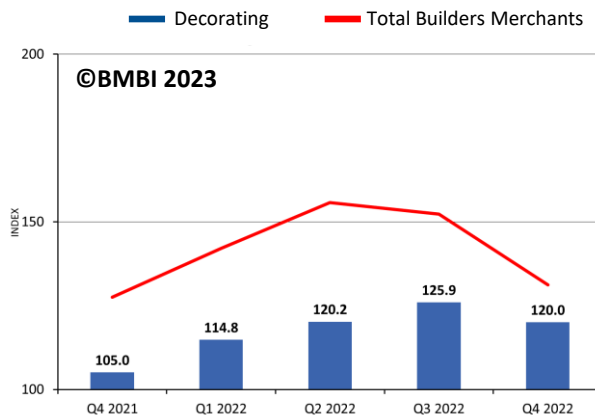
Timber & Joinery Products strongly out-performed Total Merchants in each of the last five quarters.

Heavy Building Materials



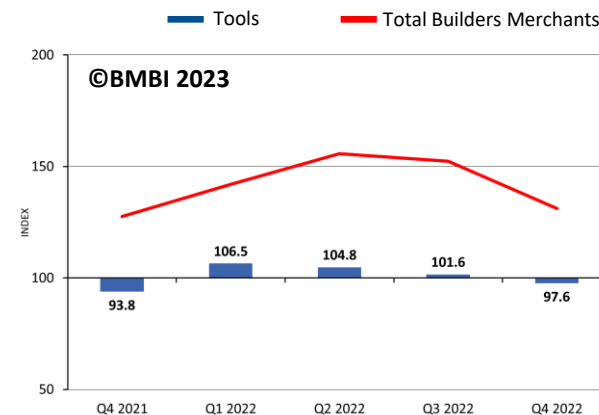
Heavy Building Materials has performed less-well than Merchants overall in the last five quarters, indexing at 128.8 in Quarter 4 2022.

Decorating



Decorating has under-performed compared with Total Merchants for a number of years, indexing at 120.0 in Quarter 4 2022.

Tools



Tools has been consistently weaker than Merchants overall and has only exceeded 100 three times in the last five quarters. The Quarter 4 2022 index was 97.6.

Quarterly: Index and Categories - 2

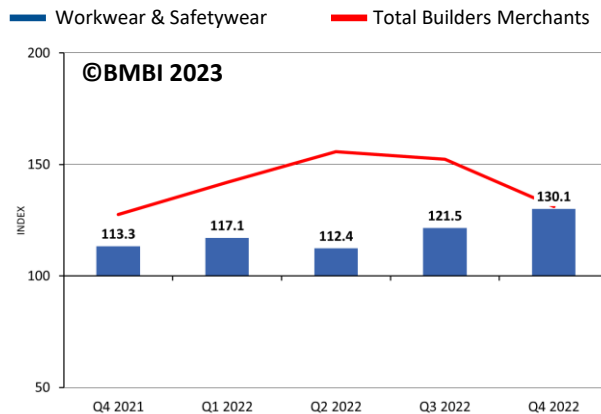
Quarterly indices



Source: GfK's Builders Merchants Total Category Report
July 2015 to December 2022

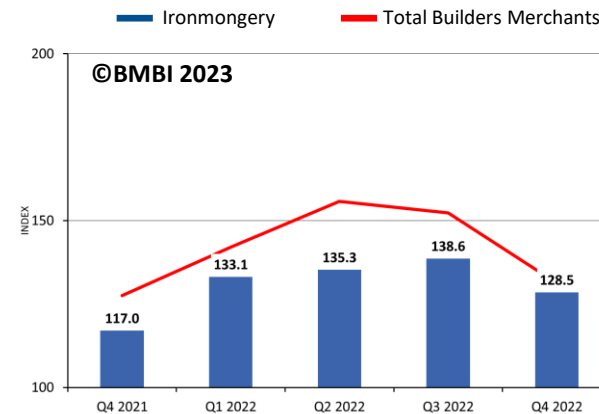


Workwear & Safetywear



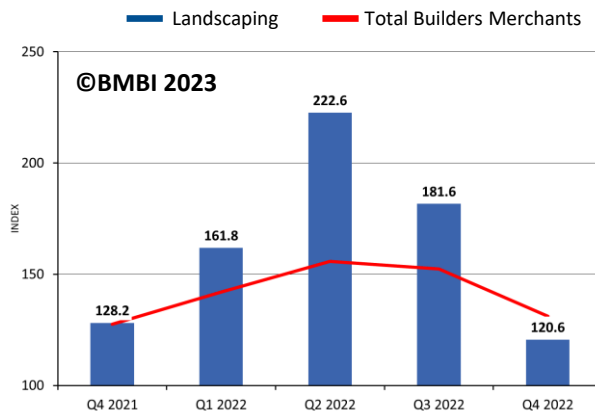
Workwear & Safetywear has been generally weak in four of the last five quarters but was broadly in line with Total Merchants in Q4, indexing at 130.1.

Ironmongery



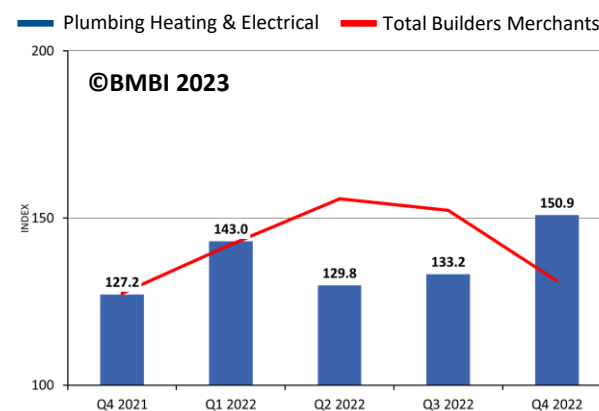
Ironmongery has followed the general trend but been a little weaker than Merchants overall, indexing at 128.5 in Quarter 4 2022.

Landscaping



Landscaping has been one of the top performers over recent quarters but underperformed in Quarter 4 2022 indexing at 120.6.

Plumbing Heating & Electrical



Plumbing Heating & Electrical has a degree of seasonality that sees it perform more strongly in autumn and winter. Quarter 4 2022 indexed at 150.9.

Quarterly: Index and Categories - 3

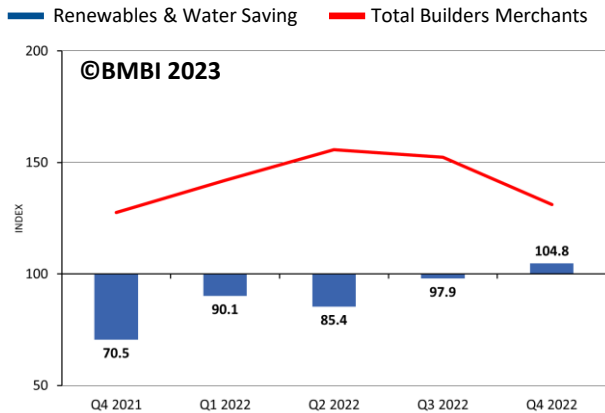
Quarterly indices



Source: GfK's Builders Merchants Total Category Report
July 2015 to December 2022

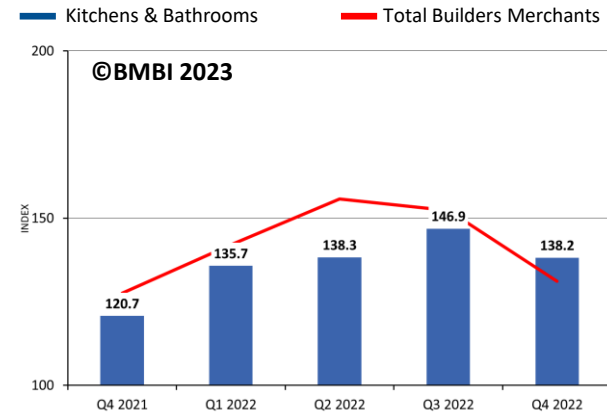


Renewables & Water Saving



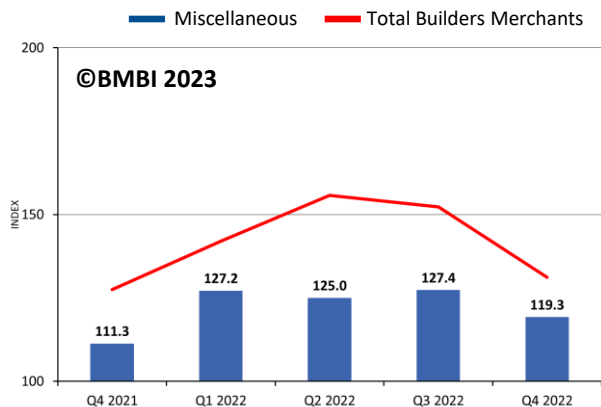
Renewables & Water Saving is a small category where revenue fluctuates significantly but it did better in Quarter 4 2022, indexing at 104.8

Kitchens & Bathrooms



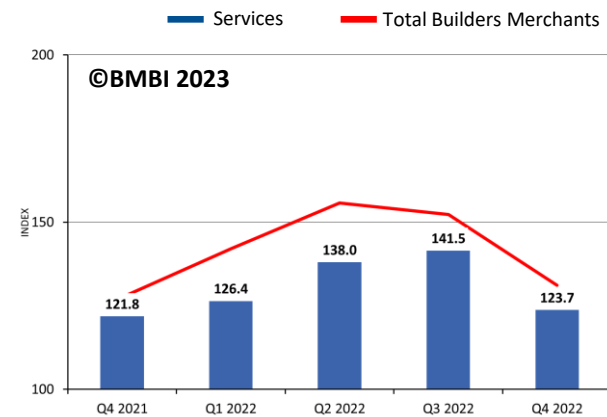
Kitchens & Bathrooms finished 2022 strongly, indexing at 138.2 in Q4.

Miscellaneous



Miscellaneous comprises a mixed-range of products (see page 56) that have been generally weaker than Merchants overall. Quarter 4 2022 indexed at 119.3.

Services



Services (predominantly tool/hire services) has broadly followed the Total Merchants trend, indexing at 123.7 in Quarter 4 2022.

Expert Panel

Wood-Based Panels

(Part of Timber & Joinery Products)



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

Quarter four saw a continuation of demand softening, which we evidenced in Q3, across the majority of timber products.

Construction is slowing, with housebuilding looking particularly vulnerable. Mortgage approvals in Q4 were dramatically down on previous data, as was Private Housing RMI. The slowing is driven by the interest rate, inflation and supply chain challenges which all affect our industry. Consumer confidence is low, and the media seem intent on keeping it that way.

The timber industry is feeling the effects of this situation. Lower volumes and softening pricing set against a backdrop of high (and often rising) manufacturing costs are leading to downtime in many mills across the UK & Europe. Panels, sawn timber etc. all saw restricted manufacturing during Q4, as demand remained lower than production capacities. The supply chain continued to reduce inventories as softening market demand continued from Q3 and year end inventory targets came into view.

Construction firm insolvencies rose sharply in Q4 and are predicted to be high for 2023, This will undoubtedly put strain on the builders' merchant sector, as they will no doubt bear a lot of these losses. Careful management of customer overdue payments will be the order of the day....if it isn't already.

If we look for positives (and we should) then inflation will fall throughout 2023, forecast to end the year below 4%; mortgage rates have been falling with the main lenders starting to compete for business again; the Prime Minister seems to have stabilised Government – at least when set against what went directly before him; and house prices are falling to allow improved affordability.

Quarter four was tough, and 2023 will also be tough. The timber industry is used to the fluctuations of changing markets, as a considerable part of the sector is commoditised, so it will weather the storm, as it has done many times before. As timber continues to be the answer to many of the construction sectors environmental challenges, the future looks promising....it just may need to be patient and allow the current market to recover.

Lower volumes and softening pricing set against a backdrop of high (and often rising) manufacturing costs are leading to downtime in many mills across the UK & Europe.

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.

Sales continued to slow in Q4. Pre-Covid we would expect a lull in sales in December and January when the weather is typically unforgiving for landscaping projects, however we've lost a lot of seasonality over the past few years thanks to the milder winters.

What makes it harder for us to assess the true state of the market is that we only see the sales we make to merchants – not how much stock they are selling. Paving sales may have dipped as consumers tighten their belts and 'needs' are prioritised over 'wants' like a new patio, but falling prices are discouraging merchants from buying product until they have shifted the more expensive stock they have on the ground and they are still heavily stocked from Q3.

In Q4, natural stone had a resurgence in popularity as plummeting shipping prices from India have brought the product price down and availability is good. Conversely, European porcelain paving – which had a spell of being cheaper and more available than natural stone during Covid – has risen in price as energy costs fuel higher manufacturing outlays.

The upshot is that natural stone is now more affordable for lower cost patios, and it's a great product. While they may be impacted by the recent price increases, porcelain sales are unlikely to fall dramatically as merchants are well-versed in selling it as a premium product and we know most high-end landscapers are booked up until the summer.

Looking ahead to 2023, greige is still the colour trend to watch for, and DIY is likely to be a growth area as homeowners save money on labour costs by laying paving themselves. The RMI market is certainly not a write-off.

We have a library of support videos to help DIYers lay our products correctly for the best finish. To make life easier for them, merchants may want to consider deals which offer everything required to lay a patio in a single-priced bundle. People perceive product bundles as being good value for money and they are an enticing prospect for novice, cash-strapped consumers.

Looking to 2023, greige is still the colour trend to watch.

DIY is likely to be a growth area as homeowners save money on labour costs by laying paving themselves.

The RMI market is not a write-off.

Expert Panel

Adhesives & Sealants

(Part of Decorating)



Mathew Whitehouse, Marketing Director at Bostik UK is BMBI's Expert for Adhesives and Sealants.

The year came to a close with poor winter weather resulting in reduced levels of construction output. Economists are forecasting that output will continue to fall by almost 5% in 2023, largely driven by the reduced demand for new housing, where higher mortgage rates and the end of the Help to Buy scheme are expected to slow new sales. However, industrial, commercial, infrastructure and government projects continue to see strong demand.

Despite the seemingly gloomy economic outlook, many companies in the industry are continuing to report strong financial results, highlighting our resilience in face of the disruption caused by the pandemic, the war in Ukraine, and the political turmoil in the UK.

The past 12 months have been extremely challenging for most, but as an industry we should be proud of the way that we have handled these testing times.

I believe there are positives to be taken from this period. As a manufacturer, we've invested to ensure we're able to scale production up or down more easily than ever before in case of sudden shifts in demand.

Supply chain issues and spiraling energy costs have also turbocharged our efforts to become a more sustainable supplier, by introducing products that contain bio-based formulations, in packaging made from recycled materials.

For sealants in particular, the spotlight on energy efficiency also presents an opportunity for merchants. A well-sealed building envelope, coupled with the right amount of insulation, can make a real difference to utility bills. Leaky windows and doors can lead to uncomfortable drafts and energy losses. While these projects may have less impact on energy use than others around the home, they tend to be the more accessible areas and are perfect for a DIY project.

With the Bostik Academy, we're able to give guidance to merchant branch staff, both in-person or online, to ensure they're well-equipped to advise the end user on sealant selection, and maximise any cross-selling opportunities.

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A well-sealed building envelope, coupled with the right amount of insulation, can make a real difference to utility bills.

Expert Panel

Bricks & Roof Tiles

(Part of Heavy Building Materials)



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

As I look back on the fourth quarter of 2022 and the preceding nine months, our sector remained resilient in what was a turbulent year. Although December's output was estimated to be flat in volume terms, quarterly construction output increased 0.3% in Q4 2022 compared with Q3, with the increase coming from growth in both new work (0.4%) and repair and maintenance (0.1%). Annual construction output increased by 5.6% in 2022 compared with 2021. However, economic headwinds, such as an expected recession, started to bite during quarter four.

It will undoubtedly be a slower start to 2023 but I share the more positive sentiments recently highlighted by executives responding to the latest McKinsey Global Survey on economic conditions. Respondents were less pessimistic at the end of the year versus the previous two quarters and identified a more predictable and improving economic environment as we move through the year.

Finishing on more positive notes, I witnessed many amazing brick projects at the Brick Awards 2022 in November. Seventeen worthy winners were announced, five of which were built using Wienerberger products, and including winning a clean sweep of the housing development project awards. They were for the Small Housing Development in Dunmurry, Belfast, the Medium Housing Development in Crosby, Liverpool, and the Large Housing Development in the Leamouth Peninsula, London.

We'll continue to see new modern construction, refurbishment and retrofit using clay bricks, roof tiles, innovative products and services that help the industry meet changing building regulations and the Future Homes Standard.

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Clark McAllister, Sales Director Polypipe Civils & Green Urbanisation is BMBI's Expert for Civils & Green Infrastructure.

Quarter four was relatively stable after a turbulent and unsettling quarter three for the UK – politically and economically – but with soaring inflation and the threat of imminent recession, it was perhaps inevitable that construction output appeared to run out of steam and flatline towards the end of the year.

Overall construction growth in December, compared to November, was reported as flat by the ONS, with new work (private industrial, commercial, infrastructure, new public housing, and non-housing repair and maintenance) compensating for falls in private new build housing, new public non-housing, industrial, and private housing RMI. Major infrastructure projects such as HS2, Hinkley Point, Thames Tideway Tunnel and energy, rail and road sectors projects are still progressing well.

While it is better than it felt in the midst of the turmoil in Q4, spending on new infrastructure projects is likely to be curtailed or delayed in 2023 until inflation comes down. The priority is expected to be on essential repairs and maintenance, particularly in the public sector.

In November, climate change was back in the headlines as the COP27 summit took place in Egypt. The main breakthrough was the agreement for a 'loss and damage' fund for vulnerable countries. This was an important step towards limiting global warming as communities around the world must act together to deliver a unified approach to tackling climate change to prevent further damage to already affected countries.

That spirit of collaboration is happening in our industry too. Construction businesses and industry-related stakeholders are collaborating to meet the challenges of sustainable, net-zero development. Merchants and developers are engaging with experts in the areas of water neutrality, nutrient neutrality, and biodiversity-net-gain to establish knowledge partnerships and increase learning.

They will need that expertise, as things are moving towards new standards that will require industry compliance. Following a review into sustainable drainage published in January, regulations and processes are being devised for new developments to reduce surface run off and the volume of rainwater which ends up in sewers and storm overflows. Ultimately, in whatever capacity we can, we must work together to make our industry, our projects and our businesses more in tune with the wider world around us.

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Expert Panel

Steel Lintels

(Part of Heavy Building Materials)



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

The fourth quarter of 2022 continued to decline in volumes. Last year was certainly a game of two halves with the second half average around 20% lower than the first. The start of 2023 continued that theme of further declining volumes. While enquiries have not shown as dramatic a drop, one must surmise a portion of these enquires are people going through the motions and will not be hot projects until the financial situation stabilises.

Red flags are everywhere and ongoing strikes across the public sector, with demands of extremely large increases, continue to pressure private sector pay solutions. Lots of companies have already provided cost of living contributions to support their valued staff and more increases will be required to support them during 2023. Unless households have plenty of spare cash, large purchases such as extensions and renovations will be delayed. National house builders have all reported new house sales down around 30% in Q4, which for lintels will mean a quiet Q2 2023. It will take time for interest rate increases, house price levels and mortgage competitiveness to settle, and the outlook is subdued.

All business will be required to review their cost base, increasing wages to retain staff so we have a sustainable business, and as a sector we all have a responsibility to encourage more people to want to come into our sector – a difficult mix of priorities! Manufacturers will be seeing material prices stabilise, but over recent years have only recovered material hikes while other inflationary costs continue to pressure that very cost base. Merchants who enjoyed significant pound-note earnings on the back of material increases will no doubt be competing harder from smaller volumes.

We are in this together, and Keystone is focused on working with loyal partners to make sure we are best placed with a full service package to help builders build to the new Building Regulations 2022. These include a full range of wider cavities and thermal performing lintels. Merchants will need to review minimum and maximum stock levels and review their stockholding, so the right lintels are in stock when those opportunities arise. Looking at historic sales figures is no longer how to stock plan for steel lintels. We are at your service.

Merchants who enjoyed significant pound-note earnings on the back of material increases will no doubt be competing harder from smaller volumes.

Expert Panel

Drylining Systems

(Part of Heavy Building Materials)



Gordon Parnell, Sales Director, British Gypsum, Saint-Gobain Interior Solutions, is BMBI's Expert for Drylining Systems.

Despite some uncertainties, Q4 volumes were stable overall, albeit with some purchases driven by considerations of price inflation in January. The UK's economic outlook remains uncertain, although the predicted high interest rates of over 6% seem to have stabilised for now, while inflation has also slightly decreased from its peak in October.

Notably, the December PMI data showed the first decrease in employment since January 2021 and contractor purchases fell for the first time in three months due to lower workloads, marking its steepest rate in more than two and a half years.

Construction output is also forecast to decrease by 4.7% in 2023, following two years of growth exceeding pre-pandemic levels. This is due to a multitude of factors, including the UK's economic challenges, declining real household incomes and high interest rates. Therefore, the largest decrease in construction activity is likely to be in sectors heavily reliant on households, such as new build private housing and domestic RMI.

Despite the anticipated decrease in construction output, the shortage of skilled labour in the industry remains a pressing issue and must still be prioritised. The construction industry relies heavily on a skilled workforce to complete projects effectively and efficiently and failure to address this shortage could have a significant impact on its ability to recover from the current economic downturn and achieve sustainable growth in the future.

To drive growth amid limited government activity and a subdued economic forecast, innovation is key, and we must provide valuable and efficient solutions to customers. Despite the difficulties we are facing, the market's fundamental needs still offer reason for optimism. We are dedicated to serving customer needs and working across the supply chain to overcome obstacles.

To enable us to provide enhanced support to customers during these times, the collective strength of our brands British Gypsum, Celotex and Isover allows us to provide a comprehensive insight into the overall market, helping customers to prepare for and respond to market needs.

We are confident in our ability to adapt to changing market conditions and remain committed to providing high-performance drylining and insulation solutions for our customers, both now and in the future.

The construction industry relies heavily on a skilled workforce to complete projects effectively and efficiently.

Failure to address this shortage could have a significant impact on its ability to recover from the current economic downturn and achieve sustainable growth in the future.

Expert Panel

Mineral Wool Insulation

(Part of Heavy Building Materials)



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

At the risk of being a stereotypical Brit, I want to talk about the weather. What can the mercury tell us about demand for mineral wool insulation?

As I write, Britain shivers through a cold snap. One that has put huge pressure on the grid, and household finances already strained by the cost-of-living crisis. The fall in temperatures mirrors the drop in economic confidence as 2022 drew to a close. Recession is forecast for 2023, and construction will not be unaffected.

But that's not the full picture. There are reasons to be confident that demand for some products and services will remain buoyant throughout a downturn. Especially insulation.

To illustrate the point, let's return to the weather. This winter began as a mild one – too mild in fact, with record high temperatures across Europe. Stark warnings are giving way to increasingly tangible signs of our changing climate. Hence the government's new commitment – announced in November – of a 15% reduction in energy demand by 2030 on the path to net-zero.

The only way we'll get anywhere near that level of energy saving is if we embark on a national mission to insulate our homes, taking a 'fabric first' approach with products that actually perform in the real world. That means filling every cavity, topping-up every loft, and ultimately addressing every 'hard to treat' property in the UK before we make the transition to electric heating. A huge undertaking, but one that the construction industry must deliver, and quickly.

For merchants then, the advice is this. Be ready to provide the right products and expertise required for energy efficient homes – starting with energy-saving insulation before considering heat pumps and other low-carbon heating technologies. And have a point of view on the payback time for the solutions you recommend. In straitened times, your customers will need to be able to justify every pound they spend.

Make no mistake; energy efficiency is becoming mainstream. Forget the weather; maybe insulation should be our new national obsession?

Be ready to provide the right products and expertise required for energy efficient homes – starting with energy-saving insulation before considering heat pumps and other low-carbon heating technologies.

Expert Panel

Cement & Aggregates

(Part of Heavy Building Materials)



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

Quarter 4 recorded dampening demand, with the RMI market suffering more than most as concerns over energy prices, interest rates and inflation continued to dent consumer confidence. These underlying issues look set to be with us until at least Q3 2023.

According to the latest figures from Mineral Products Association, Q4 was the third consecutive quarter of declines for primary aggregates (-0.3%), asphalt (-5.5%) and ready-mixed concrete (-1.1%). Mortar sales, which had been strong for most of the year, fell in the final quarter (-13.4%) as housebuilding was impacted by particularly cold weather in December.

COP27, held in Egypt in November, was a timely reminder that we all need to take action on climate change. Hanson's journey started several decades ago and is detailed in our carbon reduction road map.

In October, we agreed a deal with XPO to deliver our products to customers in a more sustainable way by reducing road miles and maximising loads to reduce carbon emissions. We are also looking at addressing the circular economy challenge, with the acquisition of A1 Services Manchester last year to strengthen our recycling capabilities.

Our biggest challenge is reducing carbon emissions at our production facilities. As part of the HyNet North West decarbonisation cluster we are looking to invest in carbon capture and storage (CCS) at our Padeswood site in order to establish the UK's first net zero cement works. And, at our Ribblesdale works, we have successfully trialled the use of 100% net zero fuels – including hydrogen – in our cement kiln.

While we aren't on our sustainability journey for the accolades, we were delighted to be recognised with the Jewson Better Homes and Sustainability Support award at the supplier conference at the end of 2022. It's important for suppliers to work with merchants on tackling the big issues.

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Expert Panel

Fasteners and Fixings

(Part of Ironmongery)



Ian Doherty, Chief Executive of Hexstone, and the Owlett-Jaton brand, is BMBI's Expert for Fasteners & Fixings

The introduction of the UK's own UKCA mark has continued to be a vexed issue for fasteners and fixings. Along with other building products, they fall under the Construction Products Regulations (CPR). UKCA replaces the European CE mark, which indicates that products for sale conform with all necessary safety, technical, and performance requirements.

In December the Department for Levelling Up, Housing and Communities (DLUHC), which is responsible for products which fall under the CPR, issued new advice. This advice differed markedly from the previous advice, and from the arrangements for non-CPR products managed by other government departments. The good news is that CE will continue to be recognised on CPR products until the end of June 2025. This removes any shorter-term concerns about availability of products which meet regulations.

From 1st July 2025 products will have to be UKCA marked to comply with CPR. However, and it's a big however, existing test results from a non-UK laboratory, the majority of those used for CE testing, are no longer considered acceptable to obtain the UKCA mark. This means that in spite of there being no technical differences between CE and UKCA technical requirements, almost all products which fall under CPR and require UKCA will need to be re-tested in the UK at significant additional cost. An additional serious concern is that with the limited test facilities available in the UK, and the long lead times for Far East sourced product, it will be very challenging to ensure that by the end of June 2025, all stock being sold to end users is UKCA marked.

Demand has remained subdued with slowing new house building only being partly offset by a more robust commercial market. In the critical RM&I sector, low consumer confidence seems to be filtering through as reduced demand. Overall sales remain flat in value with the volume deficit being offset with higher prices. Landed costs from Far East suppliers are fairly stable which is expected to reflect in more stable prices moving through 2023.

With the limited test facilities available in the UK, and the long lead times for Far East sourced product, it will be very challenging to ensure that by the end of June 2025, all stock being sold to end users is UKCA marked.

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.

October and November are traditionally busy months for fenestration as customers push to get projects completed before Christmas, but for many suppliers Q4 sales were lacklustre as the cooling off in demand seen in Q3 continued.

As a business, we did somewhat better. November was our busiest month of the year and Q4 our best quarterly sales of 2022. Much of this growth could be attributed to the success of our rapidly expanding 'drop ship vending' (DSV) model, as we launched more new partnerships at the end of last year. One difference between drop shipping and the standard model is that in third party online marketplaces the selling merchant doesn't stock or own its inventory.

While we may be one of the early adopters in the UK windows and doors sector, DSV is rapidly taking off in industries worldwide. Research suggests that third party online marketplaces will be the largest and fastest-growing retail channel globally between now and 2027. Sales through these online marketplaces – such as eBay and ManoMano – could account for as much as 59% of total global eCommerce in that time.

For builders' merchants, the DSV model allows them to add more products and unlimited choice to their online offer without having to hold additional stock. There are fewer touch points, and fewer opportunities for things to go awry. Third party suppliers like us simply fulfil orders and deliver directly to the customer while the merchant makes a commission.

Younger, Millennial and Gen Z tradespeople want to order products online or on an app and have them delivered to site for maximum convenience and minimal effort. Merchants need to evolve the clicks and bricks model to appeal to this market.

We are excited about what lies ahead in 2023 with this broadest omnichannel approach. Talk of a recession may hit consumer spending, but there is always a solid base of customers with money to spend on home improvements. Until the cost of gas and electricity comes down, we're likely to see a growing trend towards products with higher u-values to help cut energy bills so ensure these are front and centre to tap into that sales potential.

Talk of a recession may hit consumer spending, but there is always a solid base of customers with money to spend on home improvements.

Expert Panel

Paint

(Part of Decorating)



Paul Edworthy, Commercial Lead: Builders Merchant Group; Dulux Trade is BMBI's Expert for Paint

The year ended on a positive note with sales of Trade Paint being up for the 3rd consecutive month and by 1.3% compared to December 2021. Still, despite a buoyant Q4, the total volumes for the year finished 2.5% below 2021 and 2.7% below 2019 as would be expected following this years' challenging economic climate.

The second half of 2022 witnessed a quick contraction of the retail channel, where at full year 2022, total paint volume of 140.3 ML declined -12% versus 2021, and -22.5% from the Covid-19 induced 2020 peak of 181 ML. The garden woodcare market is a similar story: 35.2 ML sold in 2022 is a -26.5% decline on 2021, and a -41% fall compared to 2020.

All sectors decreased for the year as a whole in the Trade channel, with direct sales -2.3% lower than in 2021. Independent decorators' merchants fell -1.5% while sales to builders' merchants declined -1.0%. However, compared to 2019, builders' merchants fell -16%, down more than all other sectors.

The latest ONS Construction Output statistics estimated no volume growth in December 2022, following a 0.4% increase in November. The main positive contributors to December's numbers came from infrastructure new work and non-housing repair and maintenance, which increased 3.7% and 5.4%, respectively. The main negative contributors were private new housing and private housing repair and maintenance, falling -2.3% and -8.5%, respectively.

There is still a lot of uncertainty about 2023 but everything points to construction output decreasing as investment in new projects slows down and in some cases halts due to increased interest rates, now standing at 4%. Interest rates increase the cost of construction materials, reduce the profits of construction companies as borrowing is more expensive, and reduce housing demand as mortgages become expensive.

In terms of the housing market, as house prices fell for the fifth month in a row in January, demand for mortgages tumbled to its lowest level since the December 2020 covid lockdown. House buyers are struggling with affordability, so we may see Housing RMI cool down even further. Since new and RMI Housing is the biggest volume contributor to construction output, this will most likely have a negative effect on the Trade Paints market in 2023.

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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 2022 drew to a close and we reflected on the year that was, we were reminded of the uncertainty our sector faced.

After Brexit, then Covid, we could be forgiven for hoping for a period of stability. Then Ukraine happened. The resultant instability in markets resulted in further cost increases in both materials and energy. Margins were squeezed and we were forced to implement a second price increase into our markets.

The UK Government then announced a mini-budget which massively shook the markets. In quarter four, lenders stopped lending and inflation hit a 40-year high. I'm sure we have all felt the effect of this every time we go shopping. Consumer confidence is low, and we have seen an impact on demand for roof windows. The CPA is forecasting 9% reductions in activity levels in our sector in 2023.

So, doom and gloom in the markets but in typical Keylite fashion we dig in and respond positively. We have continued to adopt a long-term approach to decision making, investing in automation that enhances our agility to flex to a roller-coaster demand environment.

Similarly, we have carried out extensive work on improving the sustainability of our operations and put a focus on product circularity. Over 96% of the materials used in our roof windows are recyclable at end of life and we are working towards 100%. Meanwhile, our Operations and Customer Service teams achieved new heights of service excellence; OTIF was over 99% in Q4 which, without taking anything away from the achievement, illustrates the level to which the supply environment has normalised.

Our three industry award wins in 2022 are testament to both our customer facing and back-office teams who work hard to provide the great Keystone Group service day in, day out whatever the (political) weather.

As we enter 2023, there is a recognition that the market will be tough. We can't set the market, but we can focus on the things that are in our control. We will strive to continue to support our merchant partners with innovative products and a high-quality service proposition.

In quarter four, lenders stopped lending and inflation hit a 40 year high.

Consumer confidence is low, and we have seen an impact on demand for roof windows.

CPA is forecasting 9% reductions in activity levels in our sector in 2023.

Expert Panel

Website & Product Data Management Solutions



Andy Scothern, Director of Business Development, eCommerce at ECI Software Solutions is BMBI's Expert for Website & Product Data Management Solutions.

As customers, we've grown to expect a certain level of flexibility and adaptability from brands. Whether that's flexibility around regular payment dates for things such as utility bills or the chance to qualify for special offers in exchange for our long-term loyalty. The situation is no different when thinking specifically about the builders' merchant industry. Whether we strike a deal on price, secure a bulk buy discount, or negotiate a preferable timescale in which an order can be fulfilled, we expect the brands we work with to adapt to our specific needs.

Regarding business management software, we often approach purchasing decisions similarly, expecting flexibility and a customised package or a deal based on individual business requirements. However, this often leads to significant unforeseen problems. Consider the likes of Ford and McDonald's - two brands that have successfully rolled out millions of virtually identically evolving products through thousands of identical production lines and do so far more consistently and at a lower cost than their luxury counterparts, Maserati and Michelin star-accredited restaurants. But why?

The answer is that standardisation is your friend when it comes to the consistency of experience. In contrast, highly customised business management systems create complications and inefficiencies because customisation significantly reduces the number of people who understand how the software works. Over time, customised software is harder to support and upgrade and will often miss out on product upgrades or updates simply because the system is too bespoke.

As I've previously said, you can't digitalise spaghetti, and that's another common pitfall for those wanting software to meet their existing paper processes. Those that attempt to build their business management software around legacy processes that have been in place for decades risk exacerbating their problems. Instead, businesses need to engage with a vendor that will help them take a genuinely digital-first approach.

That's why world-class software is not customisable. Instead, it's hugely configurable, with specialist feature flags and a rapid development cadence. It's possible because resources are busy building new features for every customer simultaneously instead of wasting time supporting numerous bespoke and complex customisations for individuals.

When asking for software customisations, it's worth keeping an old saying in mind: Be careful what you wish for.

Those that attempt to build their business management software around legacy processes that have been in place for decades risk exacerbating their problems.

...businesses need to engage with a vendor that helps them take a digital-first approach.

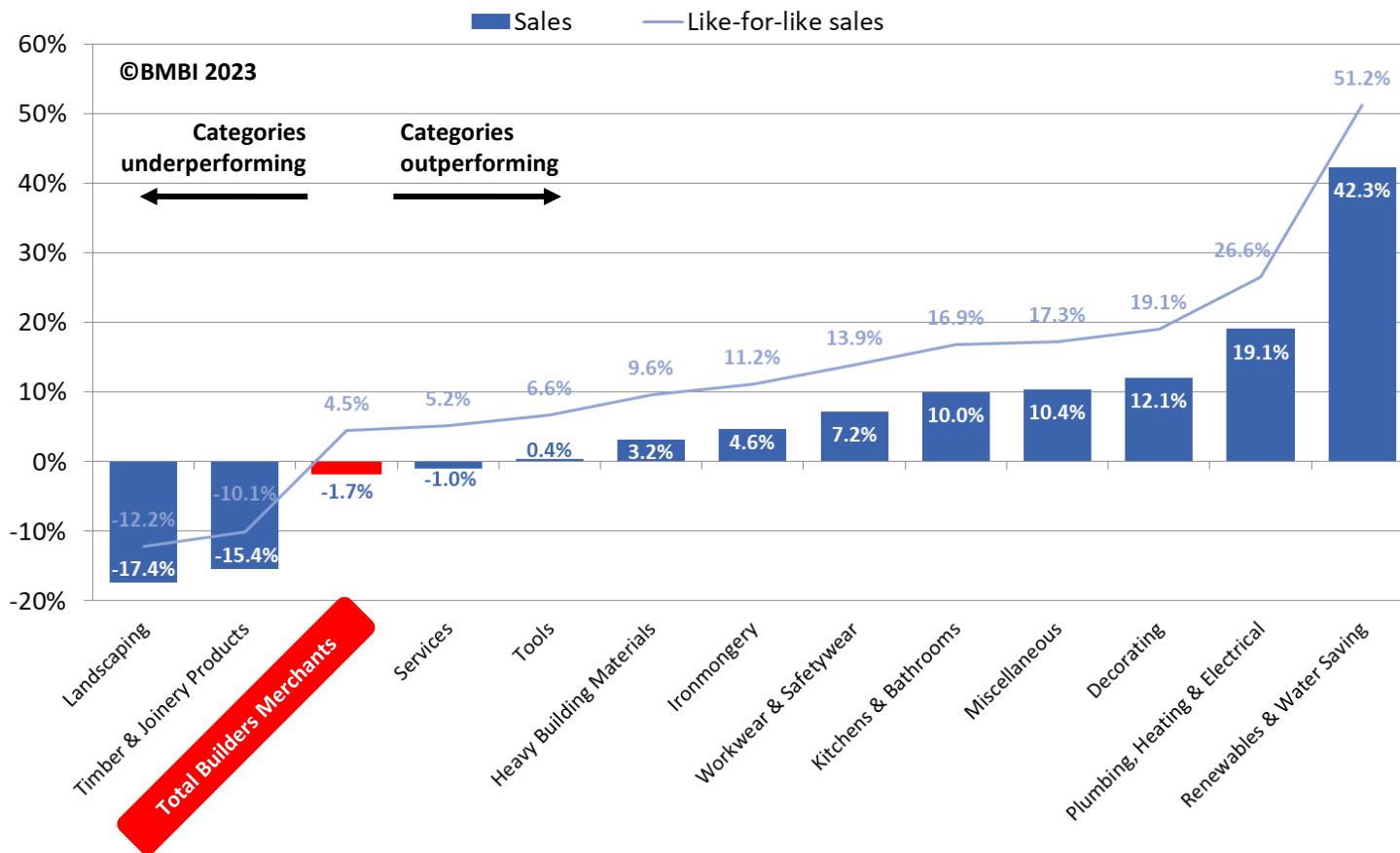
Monthly: This year v last year

December 2022 sales and like-for-like sales

16 trading days this year v 17 trading days last year. Like-for-like sales take trading day differences into account.



December 2022 v December 2021



Source: GfK's Builders Merchants Total Category Report July 2015 to December 2022

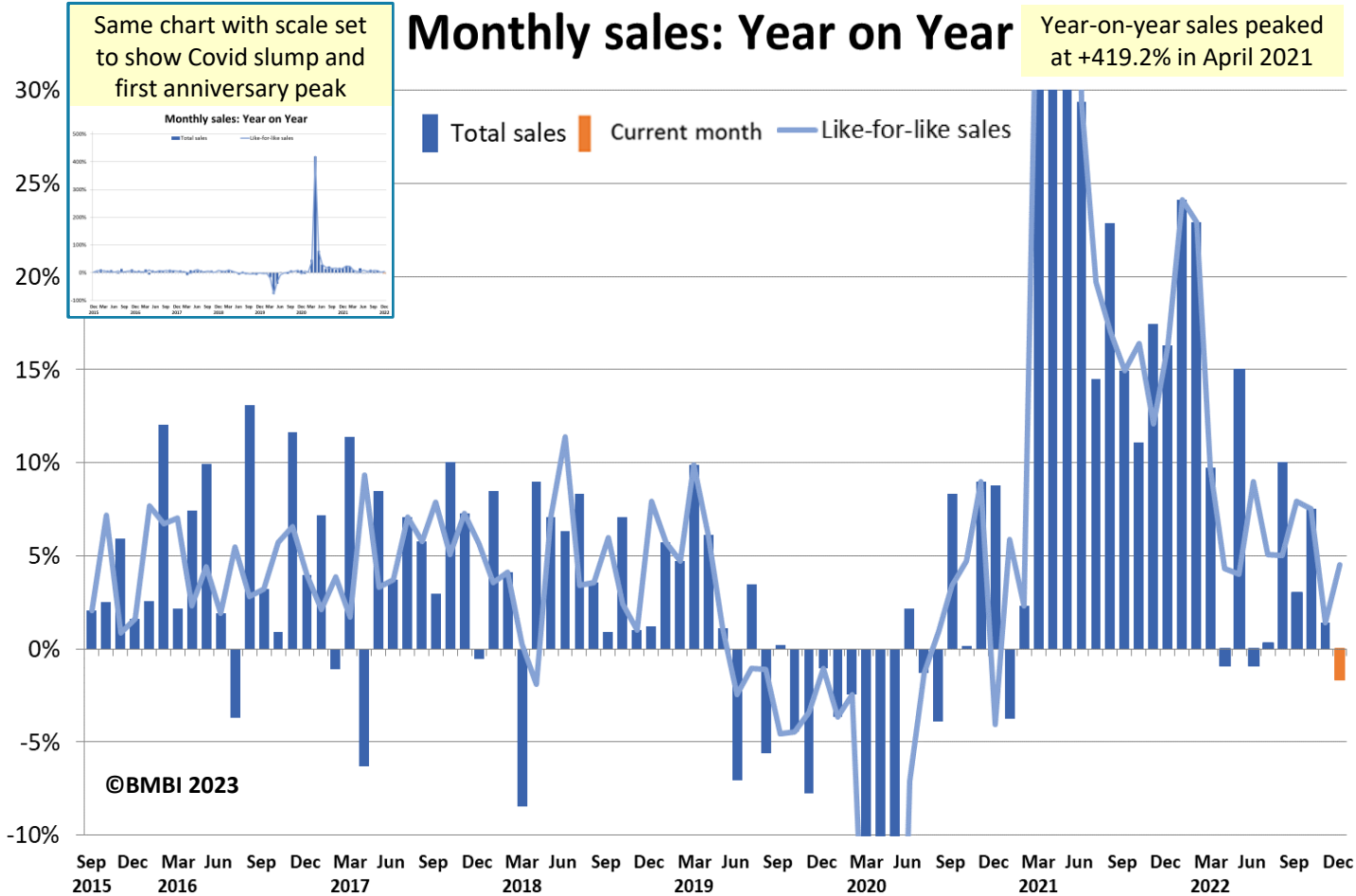
Total Builders Merchants value sales were -1.7% lower in December 2022 than the same month last year. Volume sales were -17.9% down with price up +19.7%.

Ten of the twelve categories performed better than Merchants overall, led by Renewables & Water Saving (+42.3%).

Monthly: Year on Year

Sales and like-for-like sales

16 trading days this year v 17 trading days last year. Like-for-like sales take trading day differences into account.



Source: GfK's Builders Merchants Total Category Report July 2015 to December 2022

Total Builders Merchants value sales were -1.7% lower in December 2022 than the same month last year.

With one less trading day this year, like-for-like sales were +4.5% higher.

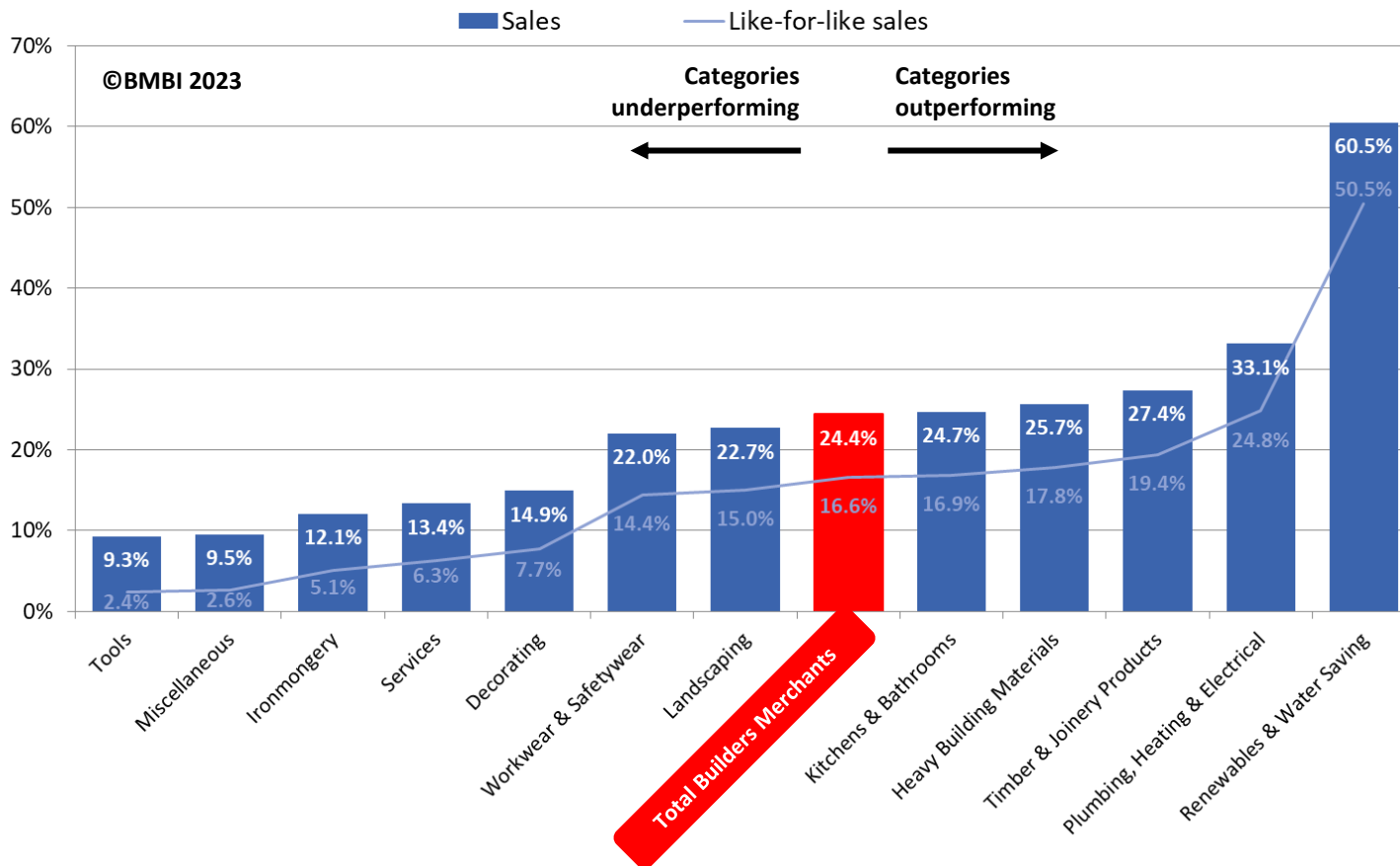
Monthly: This year v 2019

December 2022 3-year sales and like-for-like sales

16 trading days this year v 15 trading days three years ago. Like-for-like sales take trading day differences into account.



3-year comparison: December 2022 v December 2019



Source: GfK's Builders Merchants Total Category Report July 2015 to December 2022

All categories sold more led by Renewables & Water Saving (+60.5%).

Monthly: This month v last month

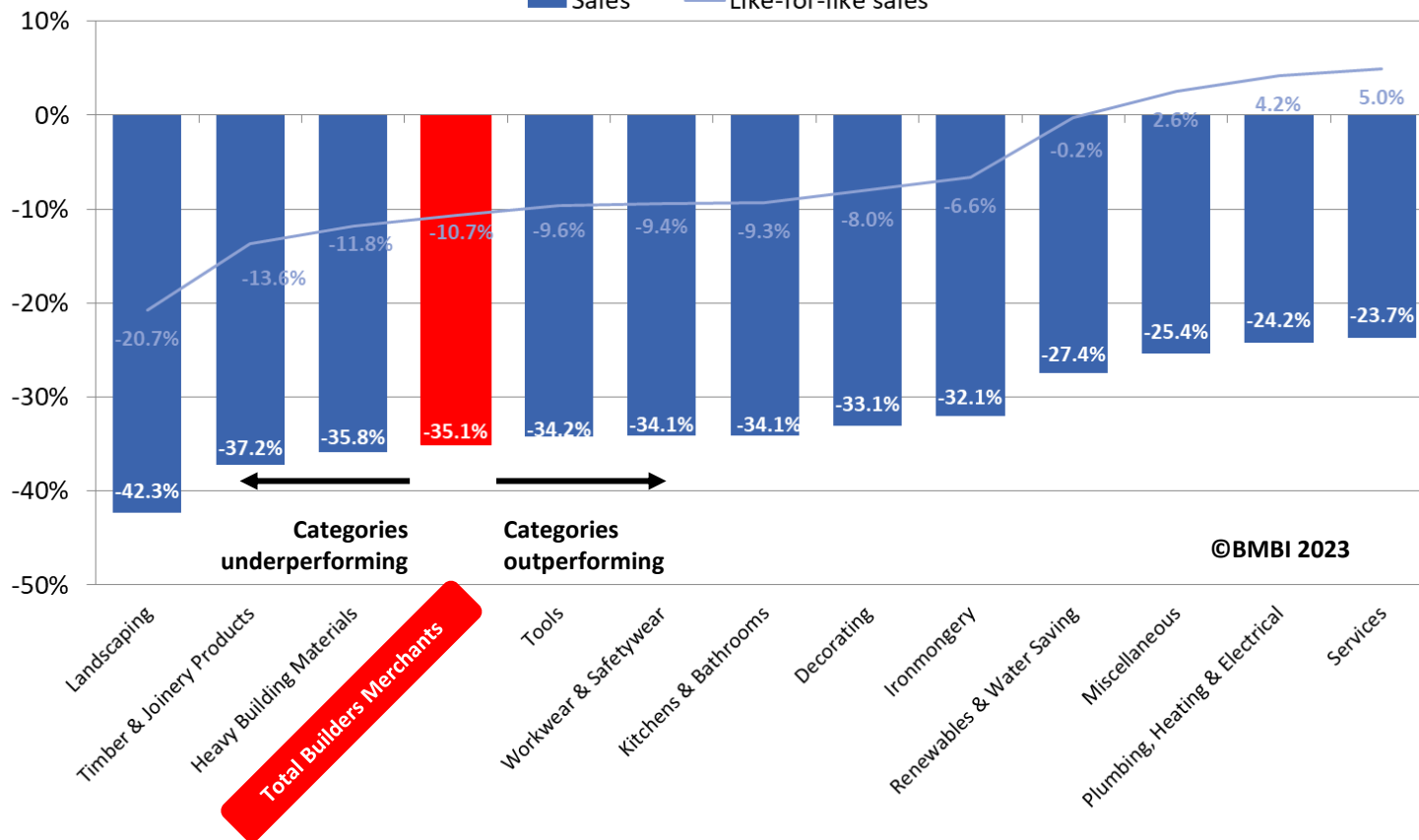
December 2022 sales and like-for-like sales

16 trading days this month v 22 trading days last month. Like-for-like sales take trading day differences into account.



December 2022 v November 2022

■ Sales — Like-for-like sales



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Source: GfK's Builders Merchants Total Category Report July 2015 to December 2022

Total Merchants sales were -35.1% lower in December 2022 than in November 2022, due in part to six fewer trading days in December.

All categories sold less, with Services (-23.7%) falling the least.

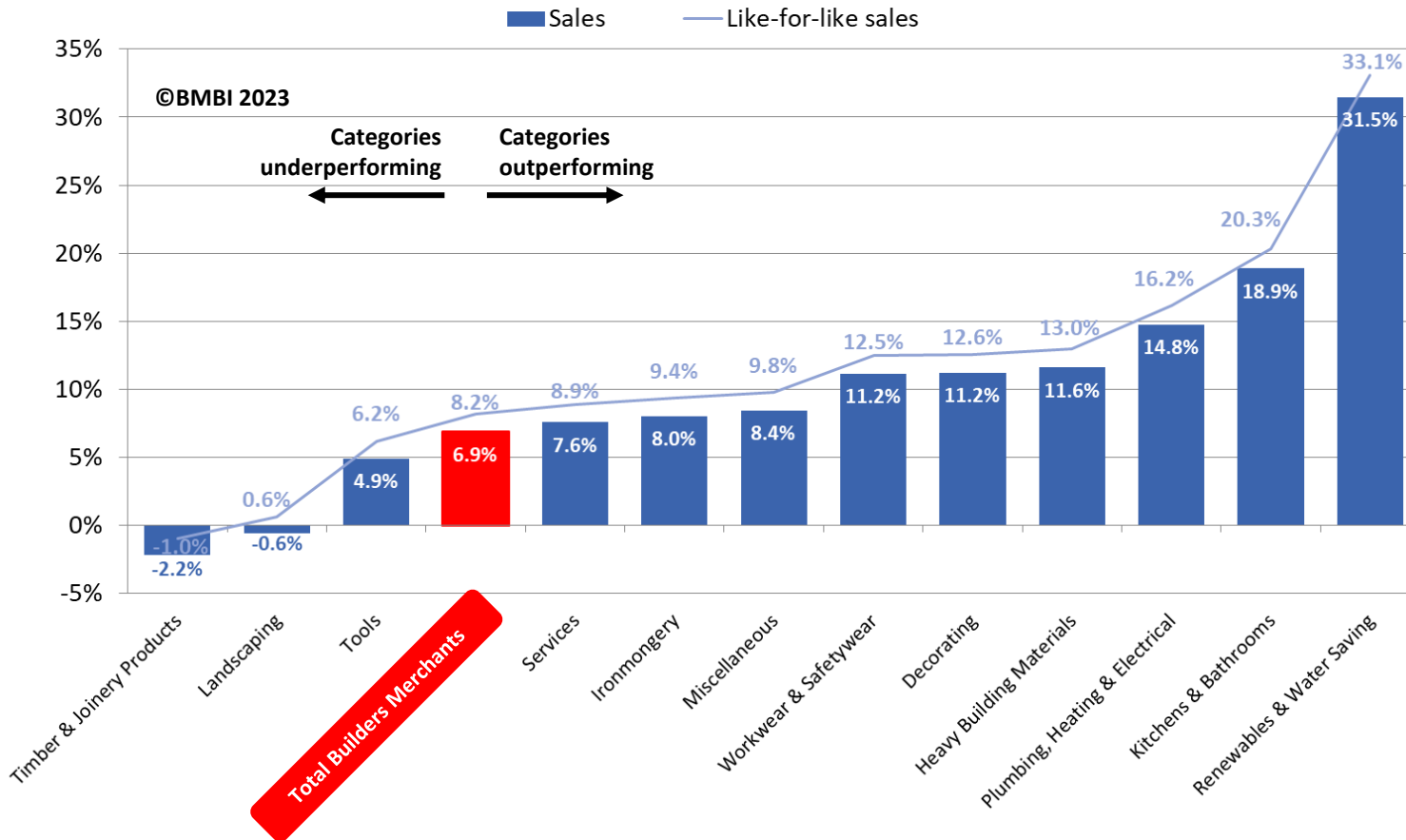
Last 12 Months: Year on Year

Sales and like-for-like sales

246 trading days in the most recent 12 months v 249 trading days in the previous 12 months. Like-for-like sales take trading day differences into account.



12 months Jan 22 to Dec 22 v 12 months Jan 21 to Dec 21



Source: GfK's Builders Merchants Total Category Report July 2015 to December 2022

Total Merchants sales in January to December 2022 were +6.9% higher than in the same period a year earlier.

Renewables & Water Saving (+31.5%) increased the most.

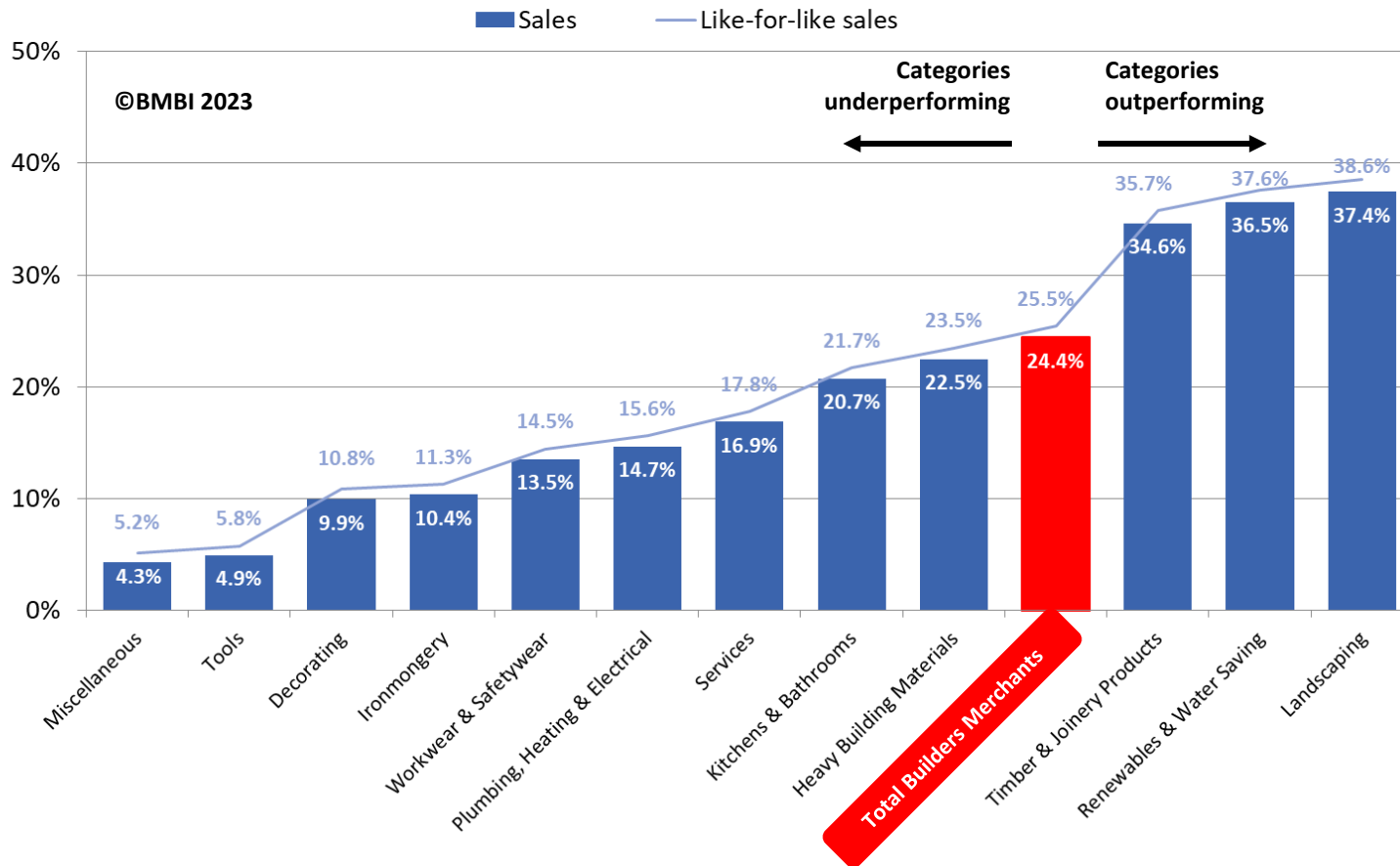
Last 12 Months: v 2019

Sales and like-for-like sales

246 trading days in the most recent 12 months v 248 trading days in earlier 12 month period. Like-for-like sales take trading day differences into account.



12 months Jan 22 to Dec 22 v 12 months Jan 19 to Dec 19



Source: GfK's Builders Merchants Total Category Report July 2015 to December 2022

Total Merchants sales in January to December 2022 were +24.4% higher than in the same 12 months in 2019.

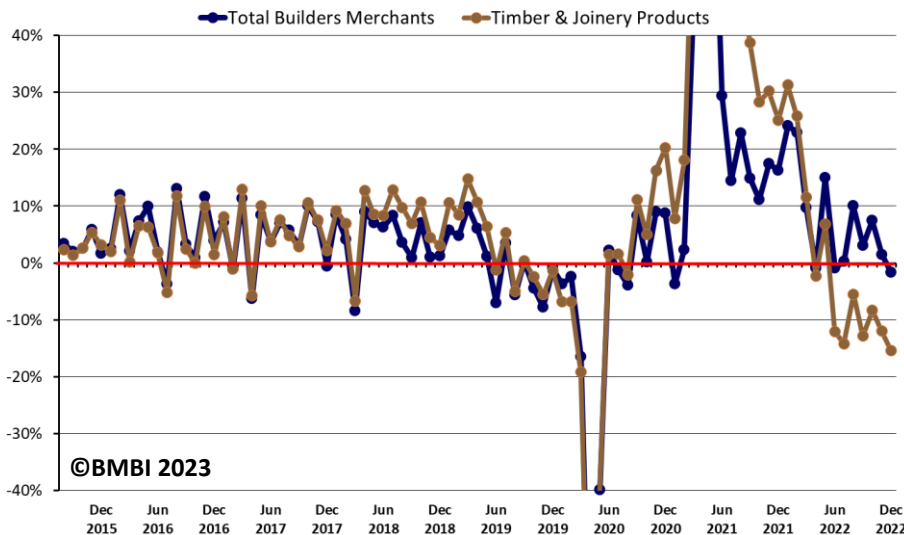
Landscaping increased the most.

Monthly and Quarterly Year-on-year

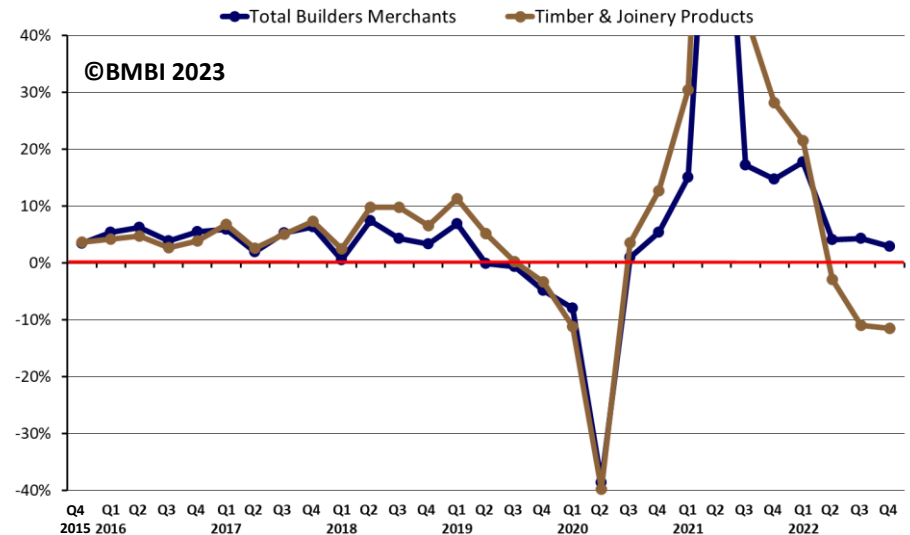
December 2022 and Q4 2022



Timber & Joinery Products - Monthly



Timber & Joinery Products - Quarterly



Covid19 peaks and troughs (off the chart)

April 2020 trough:	Timber & Joinery Products	-79.0%
	Total Builders Merchants	-76.5%
April 2021 peak:	Timber & Joinery Services	+555.8%
	Total Builders Merchants	+419.2%

Covid19 peaks and troughs (off the chart)

Q2 2020 slump:	Timber & Joinery Products	-39.8%
	Total Builders Merchants	-38.6%
Q2 2021 peak:	Timber & Joinery Products	+134.6%
	Total Builders Merchants	+96.0%

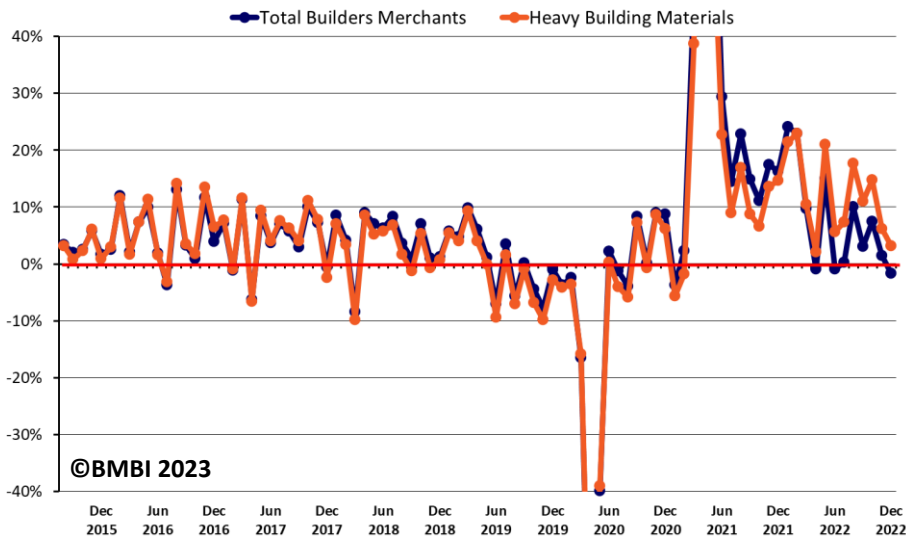
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

Monthly and Quarterly Year-on-year

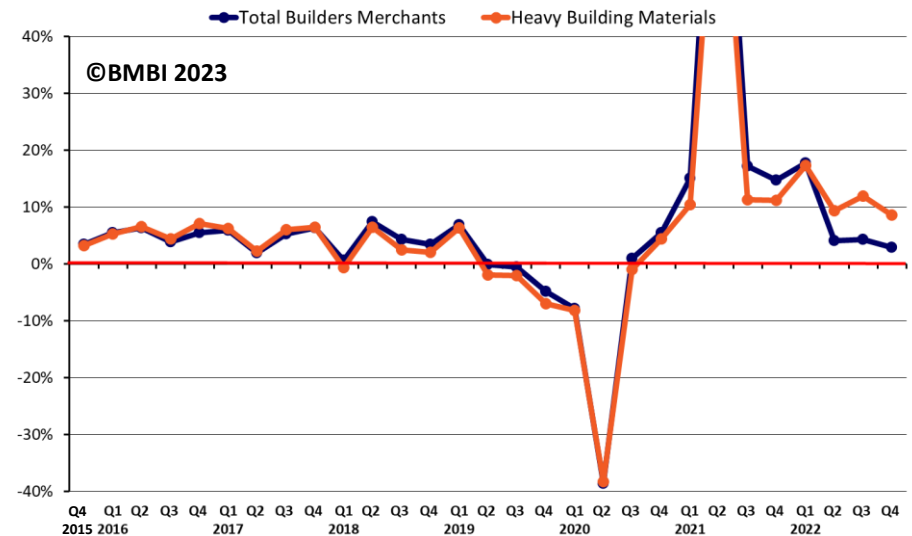
December 2022 and Q4 2022



Heavy Building Materials - Monthly



Heavy Building Materials - Quarterly



Covid19 peaks and troughs (off the chart)

April 2020 trough:	Heavy Building Materials	-74.7%
	Total Builders Merchants	-76.5%
April 2021 peak:	Heavy Building Materials	+350.6%
	Total Builders Merchants	+419.2%

Covid19 peaks and troughs (off the chart)

Q2 2020 trough:	Heavy Building Materials	-38.4%
	Total Builders Merchants	-38.6%
Q2 2021 peak:	Heavy Building Materials	+81.4%
	Total Builders Merchants	+96.0%

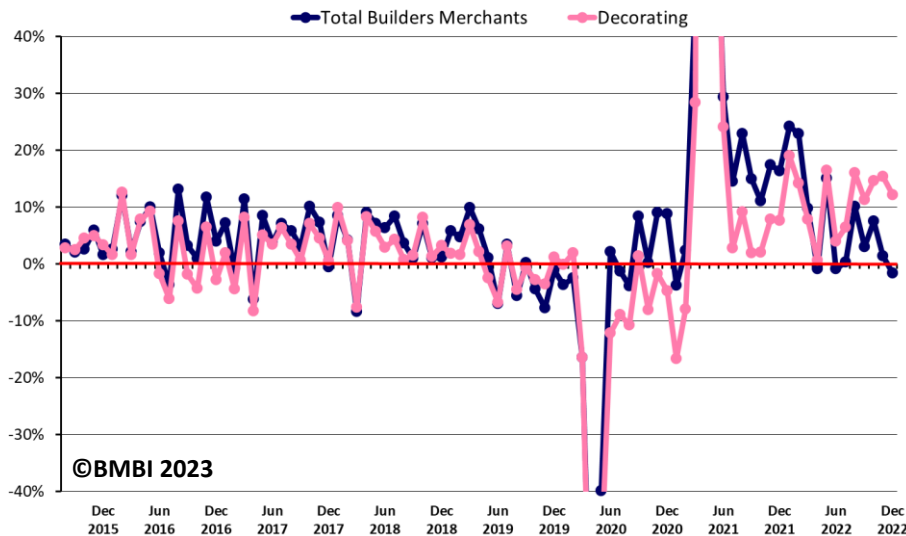
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

Monthly and Quarterly Year-on-year

December 2022 and Q4 2022



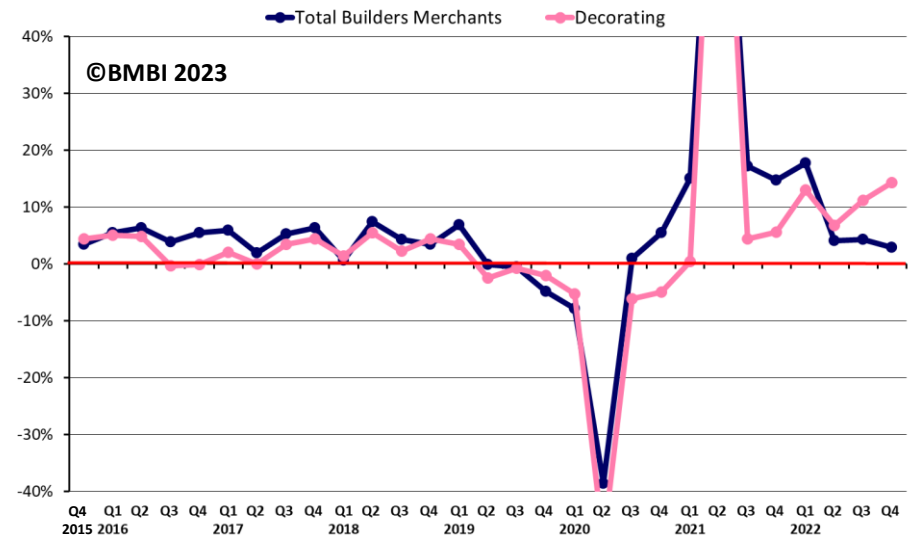
Decorating - Monthly



Covid19 peaks and troughs (off the chart)

April 2020 trough:	Decorating	-81.6%
	Total Builders Merchants	-76.5%
April 2021 peak:	Decorating	+472.1%
	Total Builders Merchants	+419.2%

Decorating - Quarterly



Covid19 peaks and troughs (off the chart)

Q2 2020 trough:	Decorating	-48.9%
	Total Builders Merchants	-38.6%
Q2 2021 peak:	Decorating	+99.1%
	Total Builders Merchants	+96.0%

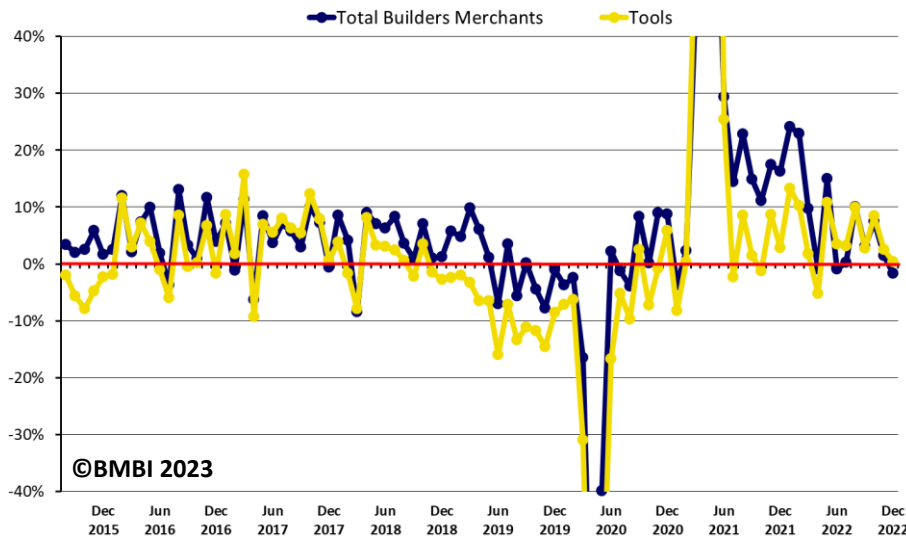
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

Monthly and Quarterly Year-on-year

December 2022 and Q4 2022



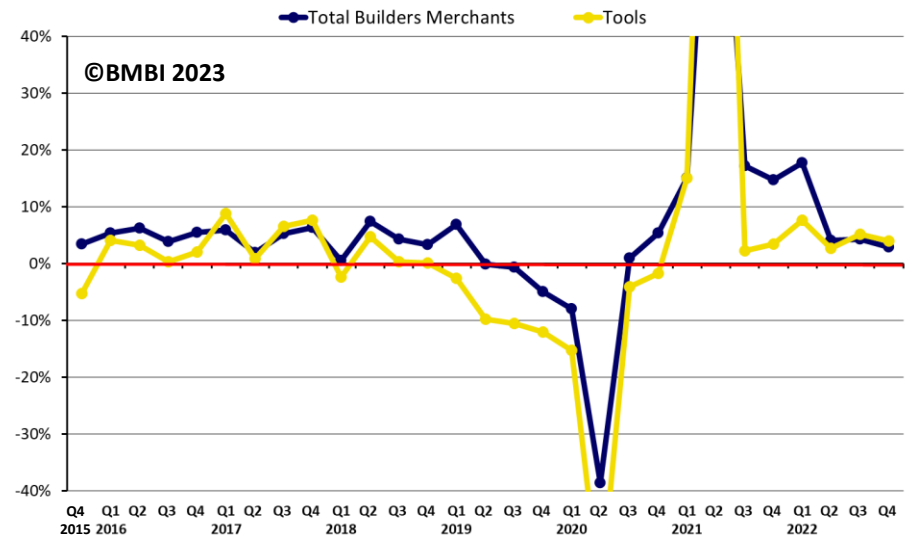
Tools - Monthly



Covid19 peaks and troughs (off the chart)

April 2020 trough:	Tools	-90.0%
	Total Builders Merchants	-76.5%
April 2021 peak:	Tools	+1188.1%
	Total Builders Merchants	+419.2%

Tools - Quarterly



Covid19 peaks and troughs (off the chart)

Q2 2020 trough:	Tools	-58.6%
	Total Builders Merchants	-38.6%
Q2 2021 peak:	Tools	+151.4%
	Total Builders Merchants	+96.0%

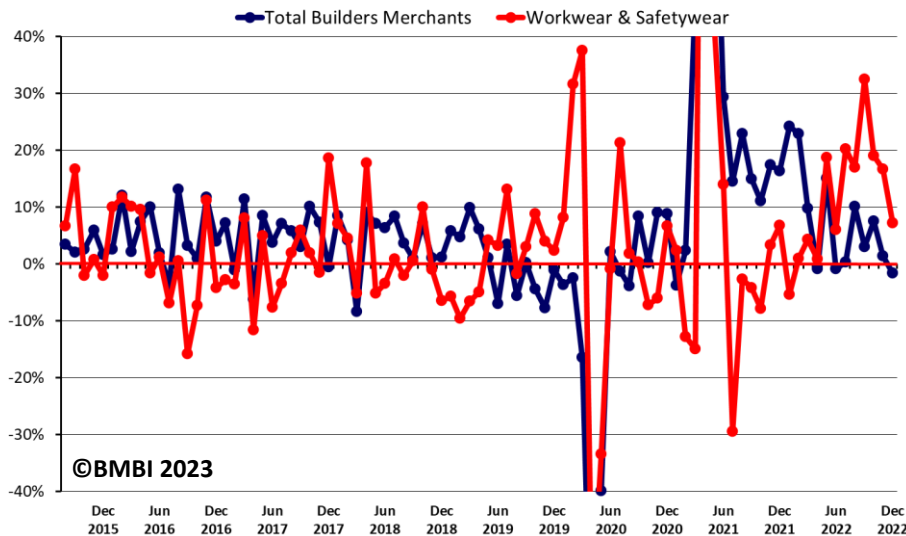
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

Monthly and Quarterly Year-on-year

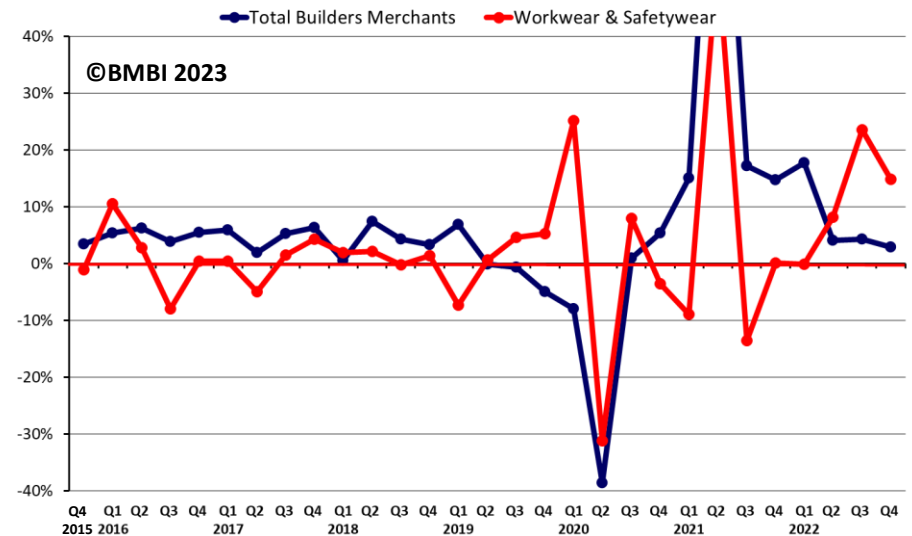
December 2022 and Q4 2022



Workwear & Safetywear - Monthly



Workwear & Safetywear - Quarterly



Covid19 peaks and troughs (off the chart)

April 2020 trough:	Workwear & Safetywear	-60.2%
	Total Builders Merchants	-76.5%
April 2021 peak:	Workwear & Safetywear	+175.8%
	Total Builders Merchants	+419.2%

Covid19 peaks and troughs (off the chart)

Q2 2020 trough:	Workwear & Safetywear	-31.2%
	Total Builders Merchants	-38.6%
Q2 2021 peak:	Workwear & Safetywear	+53.9%
	Total Builders Merchants	+96.0%

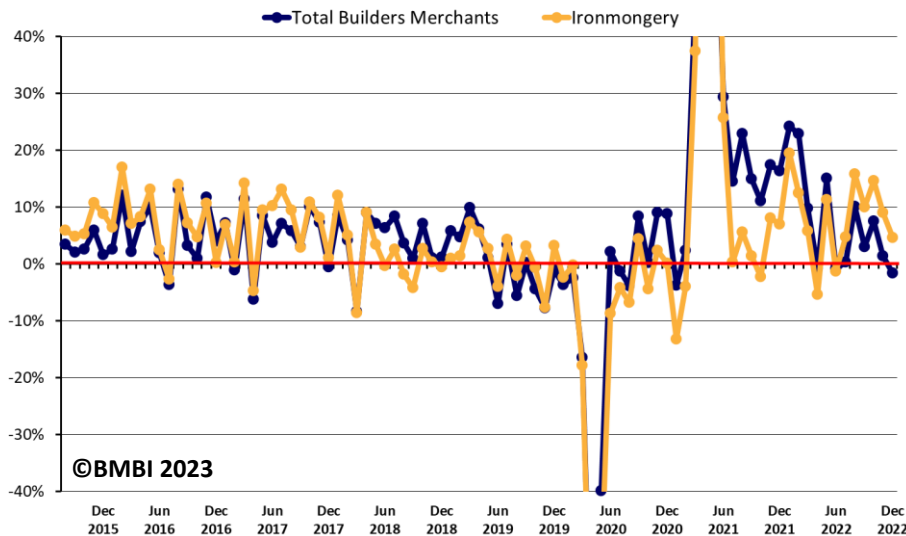
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

Monthly and Quarterly Year-on-year

December 2022 and Q4 2022



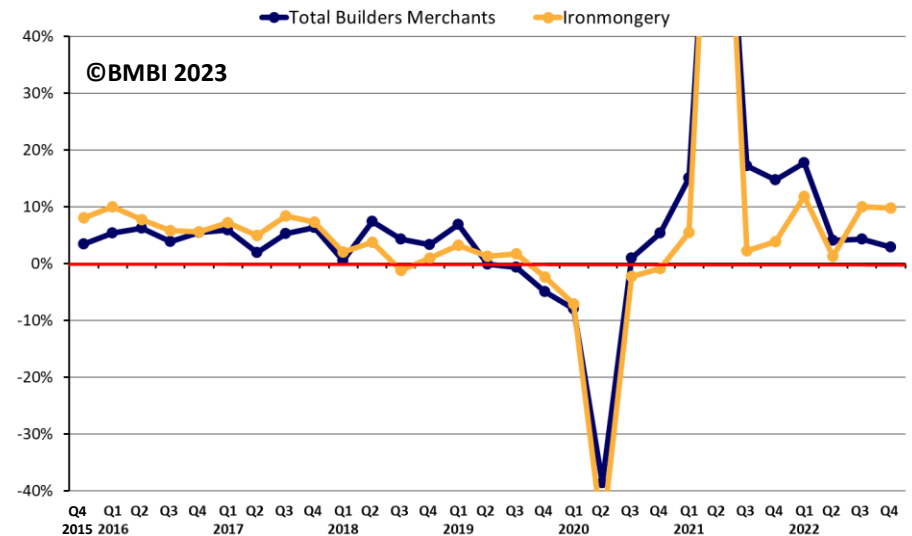
Ironmongery - Monthly



Covid19 peaks and troughs (off the chart)

April 2020 trough:	Ironmongery	-77.8%
	Total Builders Merchants	-76.5%
April 2021 peak:	Ironmongery	+403.2%
	Total Builders Merchants	+419.2%

Ironmongery - Quarterly



Covid19 peaks and troughs (off the chart)

Q2 2020 trough:	Ironmongery	-47.6%
	Total Builders Merchants	-38.6%
Q2 2021 peak:	Ironmongery	+105.9%
	Total Builders Merchants	+96.0%

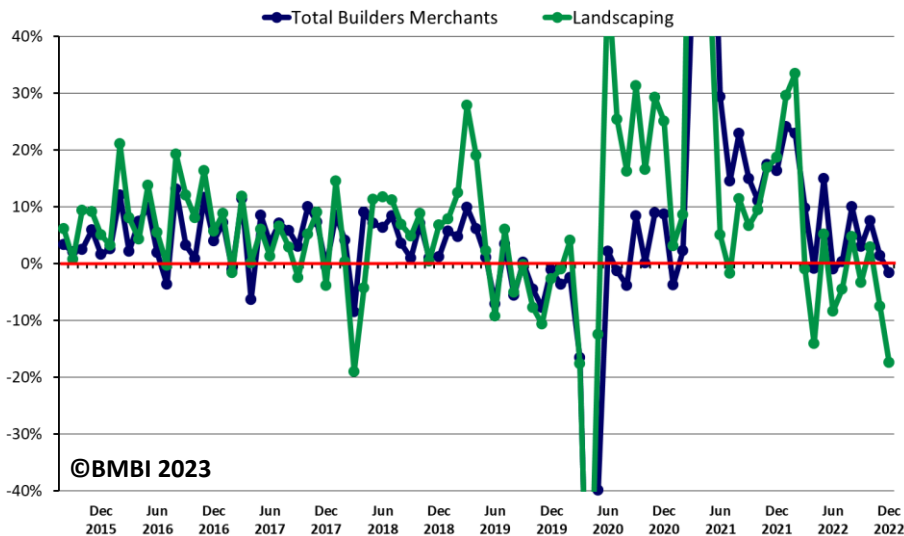
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

Monthly and Quarterly Year-on-year

December 2022 and Q4 2022



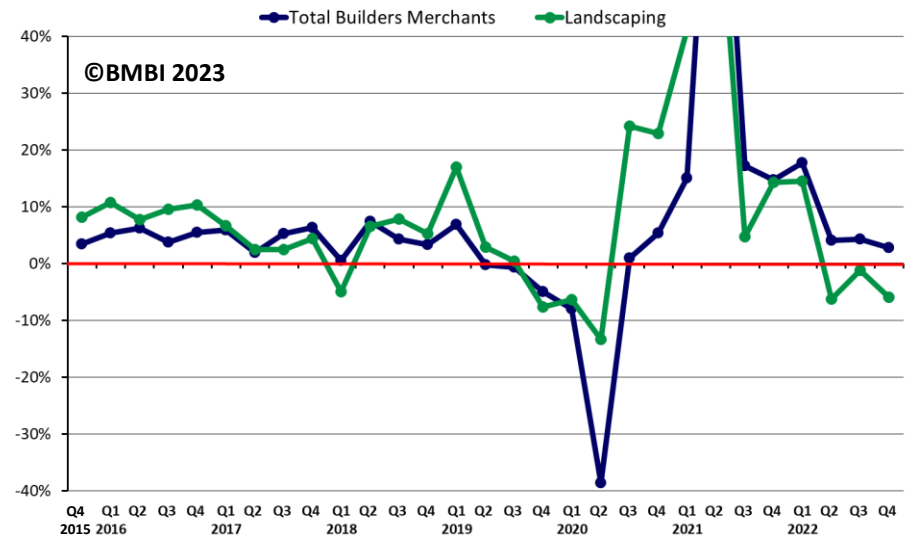
Landscaping - Monthly



Covid19 peaks and troughs (off the chart)

April 2020 trough:	Landscaping	-74.4%
	Total Builders Merchants	-76.5%
April 2021 peak:	Landscaping	+538.4%
	Total Builders Merchants	+419.2%

Landscaping - Quarterly



Covid19 peaks and troughs (off the chart)

Q2 2020 trough:	Landscaping	-13.3%
	Total Builders Merchants	-38.6%
Q2 2021 peak:	Landscaping	+71.1%
	Total Builders Merchants	+96.0%

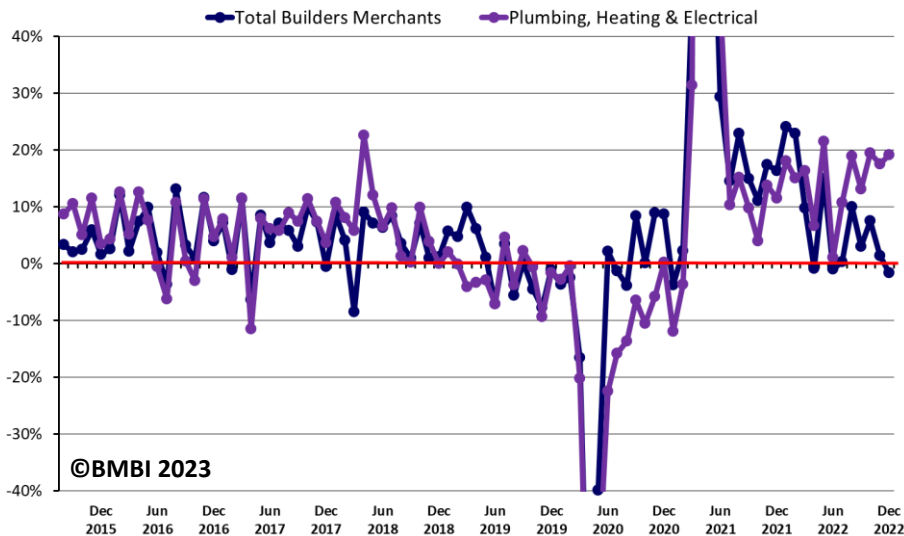
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

Monthly and Quarterly Year-on-year

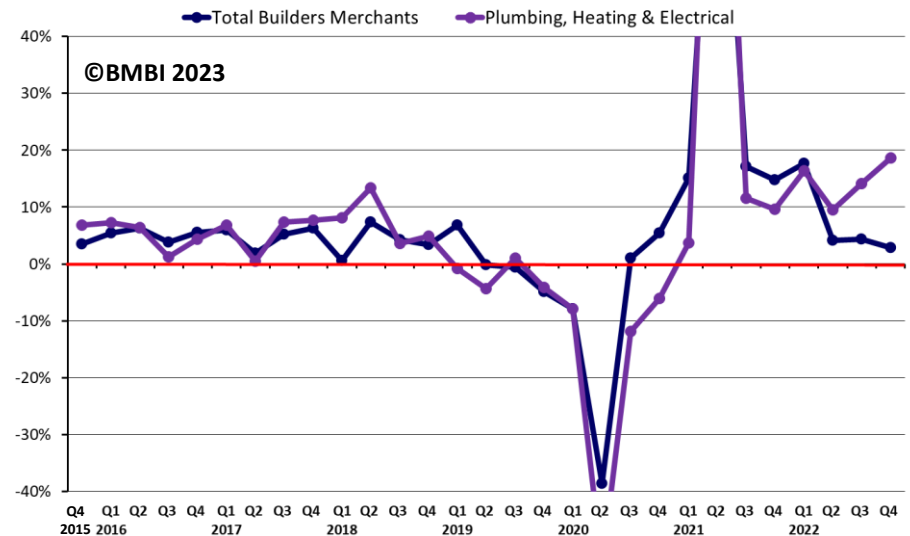
December 2022 and Q4 2022



Plumbing Heating & Electrical - Monthly



Plumbing Heating & Electrical - Quarterly



Covid19 peaks and troughs (off the chart)

April 2020 trough:	Plumbing Heating & Electrical	-77.9%
	Total Builders Merchants	-76.5%
April 2021 peak:	Plumbing Heating & Electrical	+369.9%
	Total Builders Merchants	+419.2%

Covid19 peaks and troughs (off the chart)

Q2 2020 trough:	Plumbing Heating & Electrical	-53.1%
	Total Builders Merchants	-38.6%
Q2 2021 peak:	Plumbing Heating & Electrical	+120.3%
	Total Builders Merchants	+96.0%

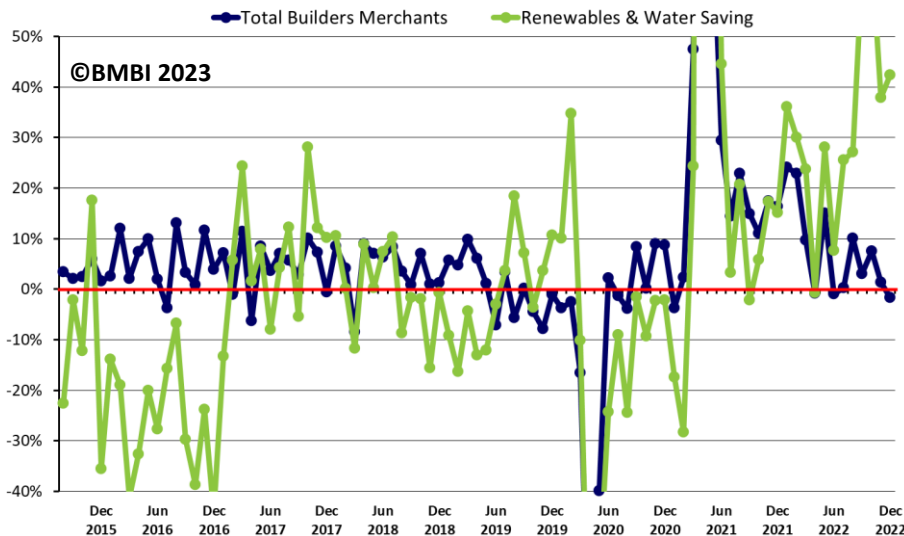
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

Monthly and Quarterly Year-on-year

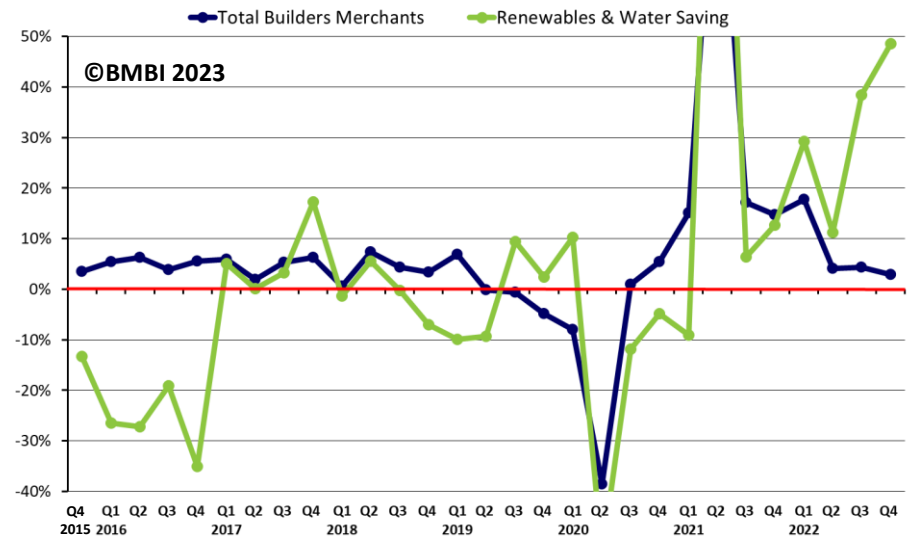
December 2022 and Q4 2022



Renewables & Water Saving - Monthly



Renewables & Water Saving - Quarterly



Covid19 peaks and troughs (off the chart)

April 2020 trough:	Renewables & Water Saving	-77.4%
	Total Builders Merchants	-76.5%
April 2021 peak:	Renewables & Water Saving	+518.1%
	Total Builders Merchants	+419.2%

Covid19 peaks and troughs (off the chart)

Q2 2020 trough:	Renewables & Water Saving	-52.6%
	Total Builders Merchants	-38.6%
Q2 2021 peak:	Renewables & Water Saving	+145.0%
	Total Builders Merchants	+96.0%

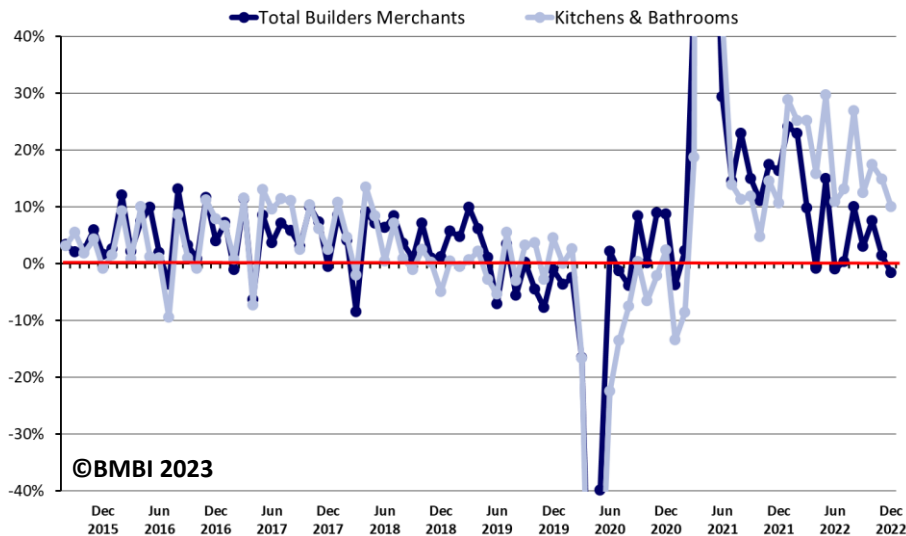
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

Monthly and Quarterly Year-on-year

December 2022 and Q4 2022



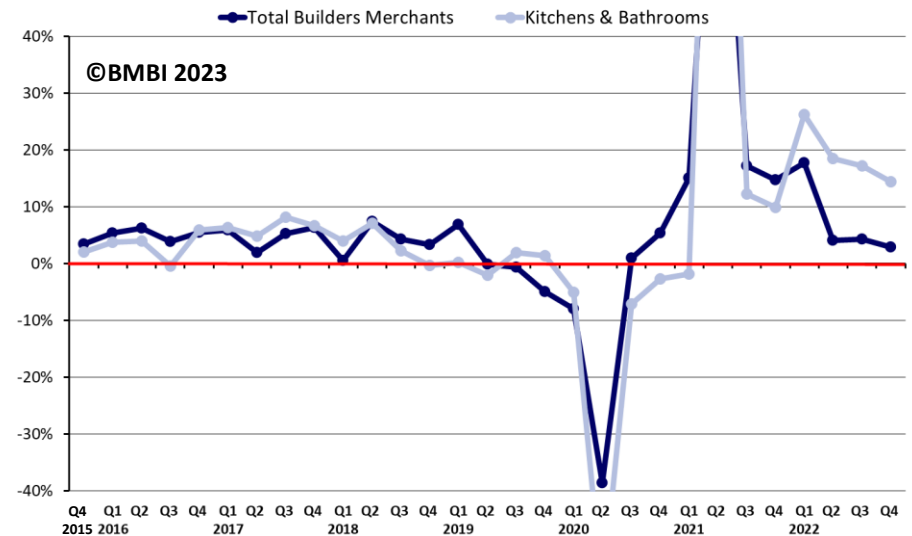
Kitchens & Bathrooms - Monthly



Covid19 peaks and troughs (off the chart)

April 2020 trough:	Kitchens & Bathrooms	-86.8%
	Total Builders Merchants	-76.5%
April 2021 peak:	Kitchens & Bathrooms	+706.3%
	Total Builders Merchants	+419.2%

Kitchens & Bathrooms - Quarterly



Covid19 peaks and troughs (off the chart)

Q2 2020 trough:	Kitchens & Bathrooms	-57.9%
	Total Builders Merchants	-38.6%
Q2 2021 peak:	Kitchens & Bathrooms	+141.3%
	Total Builders Merchants	+96.0%

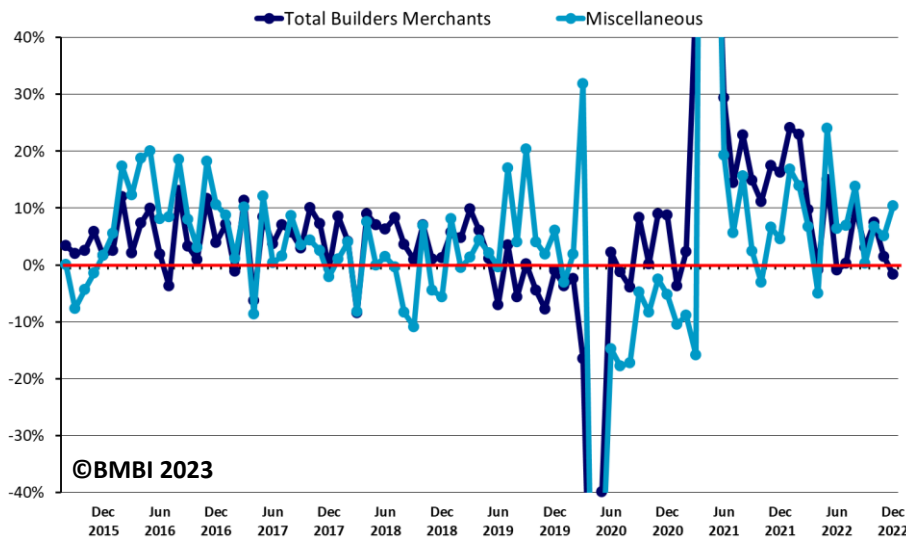
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

Monthly and Quarterly Year-on-year

December 2022 and Q4 2022



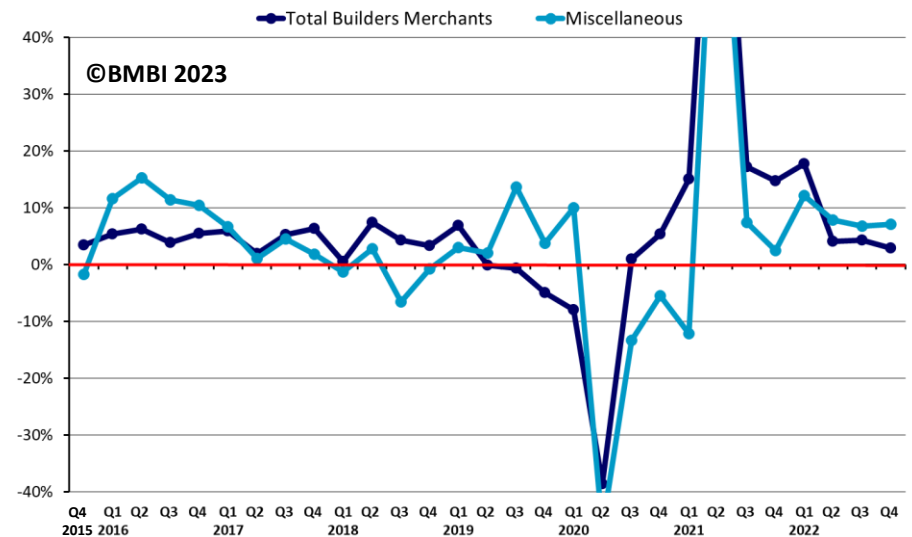
Miscellaneous - Monthly



Covid19 peaks and troughs (off the chart)

April 2020 trough:	Miscellaneous	-67.7%
	Total Builders Merchants	-76.5%
April 2021 peak:	Miscellaneous	+243.5%
	Total Builders Merchants	+419.2%

Miscellaneous - Quarterly



Covid19 peaks and troughs (off the chart)

Q2 2020 trough:	Miscellaneous	-46.4%
	Total Builders Merchants	-38.6%
Q2 2021 peak:	Miscellaneous	+88.4%
	Total Builders Merchants	+96.0%

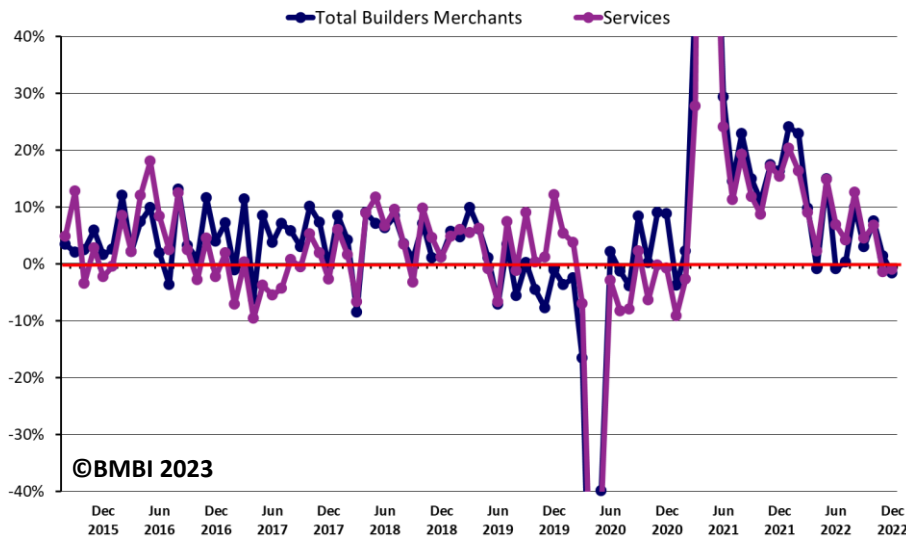
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

Monthly and Quarterly Year-on-year

December 2022 and Q4 2022



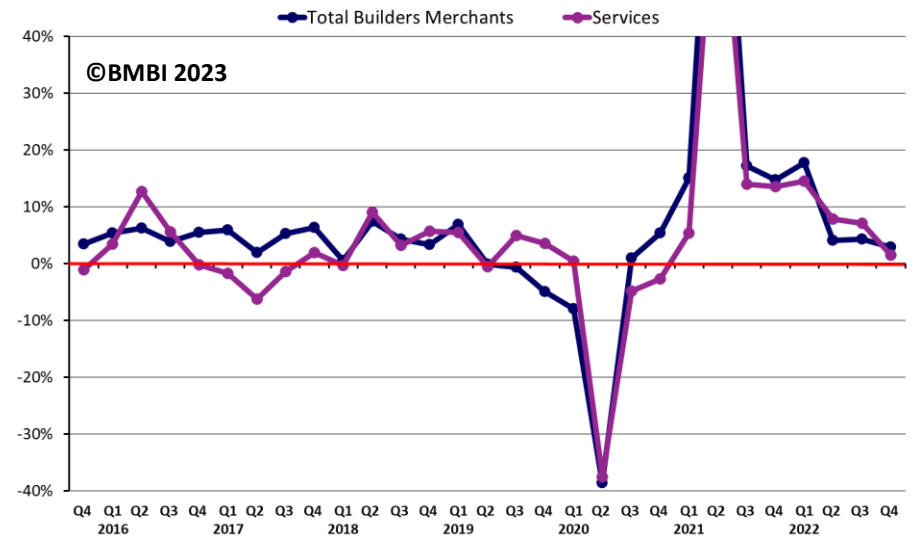
Services - Monthly



Covid19 peaks and troughs (off the chart)

April 2020 trough:	Services	-62.9%
	Total Builders Merchants	-76.5%
April 2021 peak:	Services	+204.2%
	Total Builders Merchants	+419.2%

Services - Quarterly



Covid19 peaks and troughs (off the chart)

Q2 2020 trough:	Services	-37.6%
	Total Builders Merchants	-38.6%
Q2 2021 peak:	Services	+75.6%
	Total Builders Merchants	+96.0%

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

Monthly: Index and Categories

December 2021* – December 2022

Indexed on July 2014 – June 2015



		2021	2022											
MONTHLY SALES VALUE INDEX	Index	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Total Builders Merchants	100	97.1	125.0	134.4	166.8	149.3	162.4	155.6	151.5	153.1	152.4	151.0	147.1	95.5
Timber & Joinery Products	100	119.0	157.8	161.8	195.6	172.3	185.0	175.2	171.0	172.2	168.5	165.9	160.4	100.7
Heavy Building Materials	100	89.6	116.5	125.4	156.2	140.4	155.1	150.8	147.0	149.4	151.3	150.1	144.0	92.4
Decorating	100	81.7	102.2	109.3	131.2	114.0	124.2	122.0	122.1	126.2	127.8	130.6	137.4	92.0
Tools	100	73.2	95.7	101.9	124.2	104.6	109.9	103.7	100.3	102.7	102.9	108.2	111.3	73.2
Workwear & Safetywear	100	93.8	115.7	112.4	123.3	104.9	113.7	118.5	111.5	112.0	141.0	137.3	152.6	100.5
Ironmongery	100	94.2	123.2	125.5	151.5	130.1	141.3	135.2	135.3	139.2	141.9	142.6	144.7	98.3
Landscaping	100	92.6	116.2	149.5	220.0	220.8	231.7	215.1	195.5	183.5	166.1	152.6	132.7	76.5
Plumbing, Heating & Electrical	100	107.2	131.4	138.3	159.4	127.1	137.3	125.1	125.9	130.5	143.3	156.6	168.4	127.6
Renewables & Water Saving	100	58.3	85.1	80.9	106.8	78.6	93.3	86.3	90.4	89.9	115.3	118.1	113.8	82.6
Kitchens & Bathrooms	100	96.8	121.6	134.5	151.1	131.5	144.6	138.7	143.1	150.1	147.5	146.7	161.4	106.4
Miscellaneous	100	92.3	128.0	122.4	141.7	119.9	137.9	127.1	130.6	132.4	128.6	125.0	133.3	99.4
Services	100	102.7	112.5	120.1	146.6	131.7	141.8	140.5	138.4	146.6	139.4	136.3	133.2	101.6

*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 2022

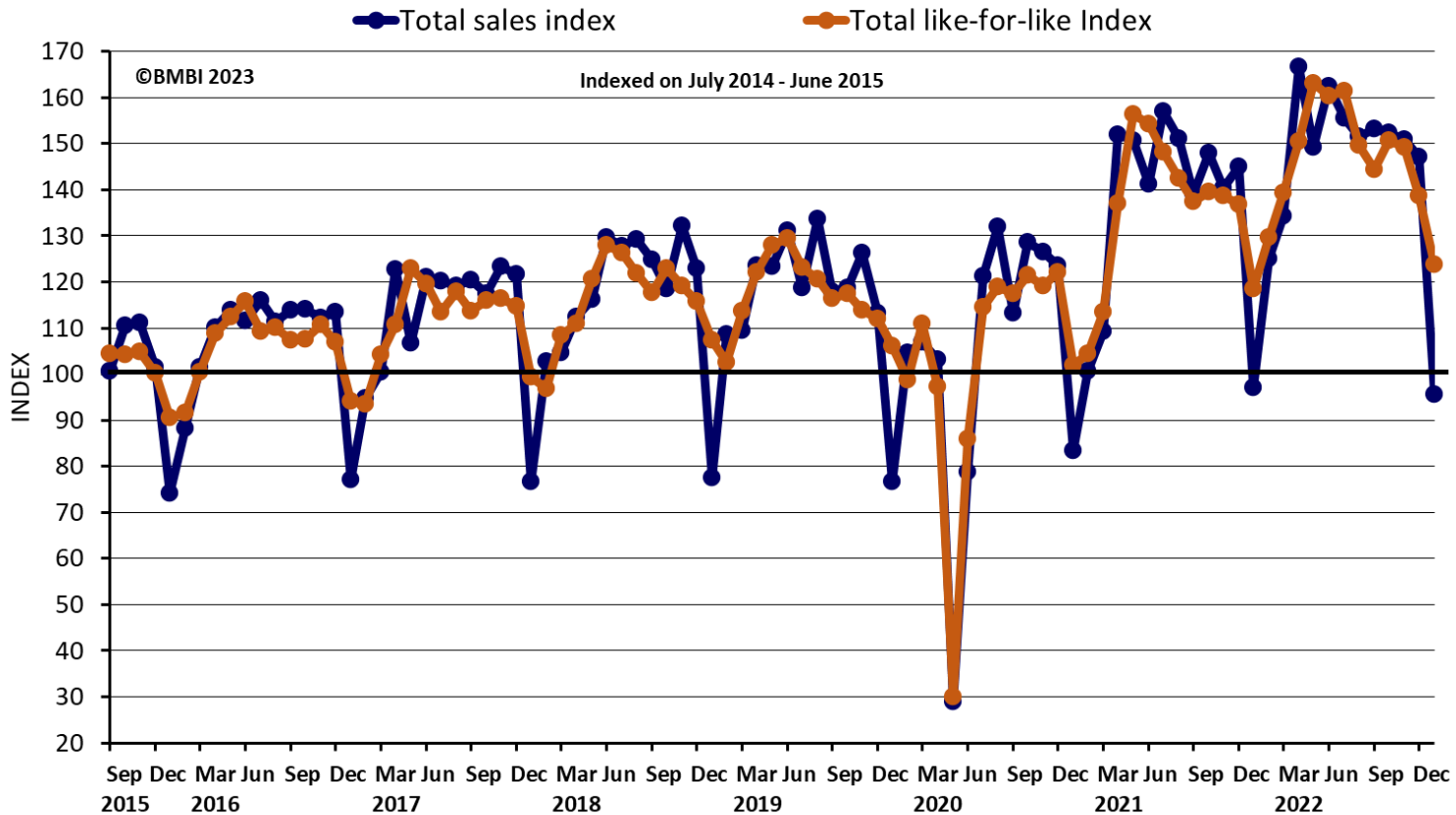
Monthly: Index

Sales and like-for-like sales index

16 trading days this month v 21 in the Index base period. Like-for-like sales take trading day differences into account.



Total Builders Merchants sales v like-for-like sales index



Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

December's BMBI index was 95.5 but with five fewer trading days, the like-for-like Index was 123.9.

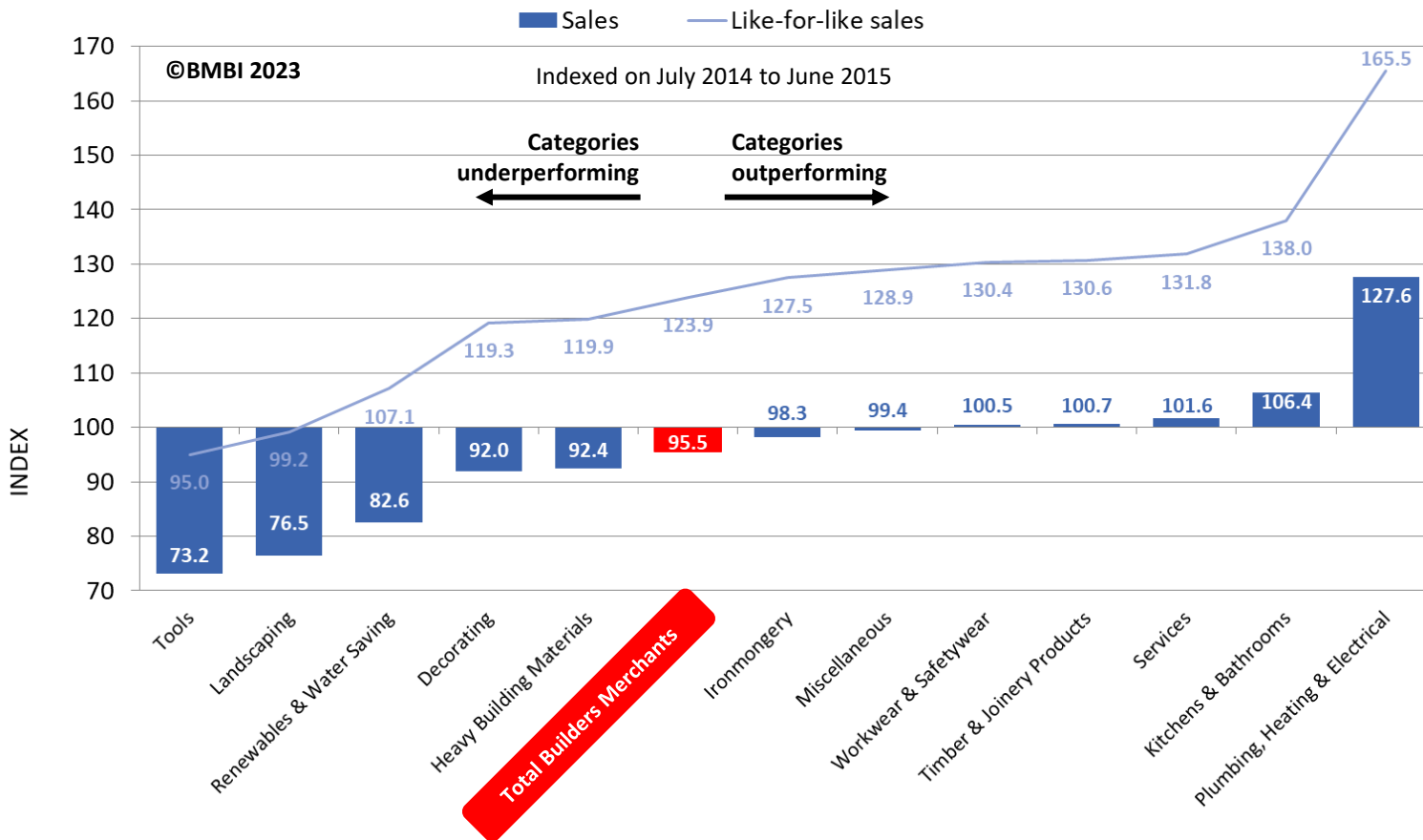
Monthly: Index and Categories

December 2022 sales and like-for-like sales index

16 trading days this month v 21 trading days this index period. Like-for-like sales take trading day differences into account.



December 2022 Index



Source: GfK's Builders Merchants Total Category Report July 2015 to December 2022

Plumbing, Heating & Electrical outperformed other categories in December 2022.

Trading Days

Monthly Index: 20.8												Quarterly Index: 62.3				Half Year		Full Year
2020												2020				2020		2020
Jan	Feb	Mar*	Apr*	May*	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4	H1	H2	250
22	20	22	20	19	22	23	20	22	22	21	17	64	61	65	60	125	125	
2021												2021				2021		
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4	H1	H2	249
20	20	23	20	19	22	22	21	22	21	22	17	63	61	65	60	124	125	
2022												2022				2022		
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Q1	Q2	Q3	Q4	H1	H2	246
20	20	23	19	21	20	21	22	21	21	22	16	63	60	64	59	123	123	

 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to December 2022

*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



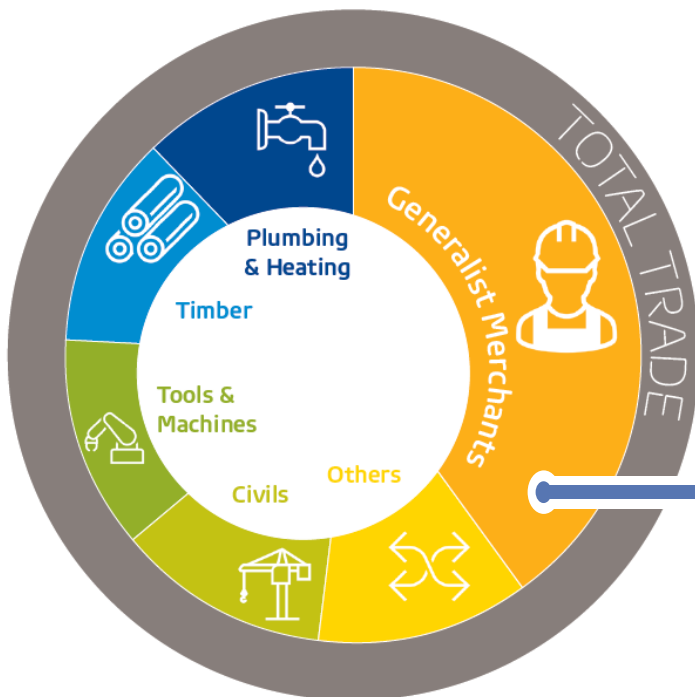
Generalist Builders Merchants definition:

- 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%.

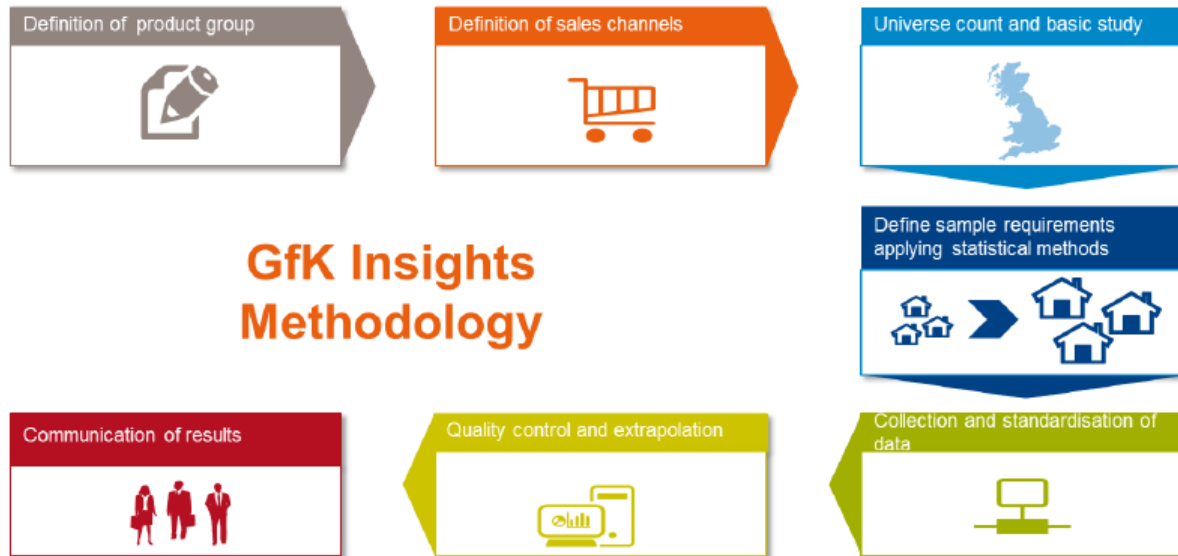
Examples include:



INDEPENDENT BUILDERS
MERCHANT GROUP



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

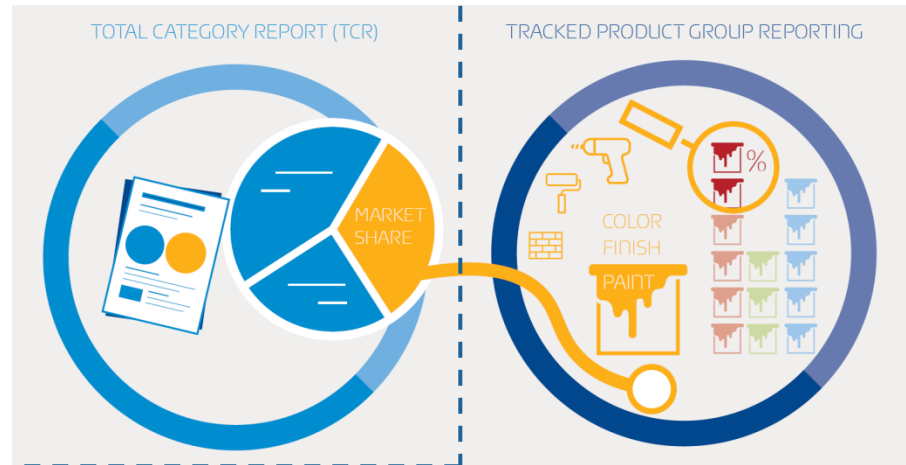
Bathroom (Including Showering)
Fitted Kitchens
Major Appliances

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

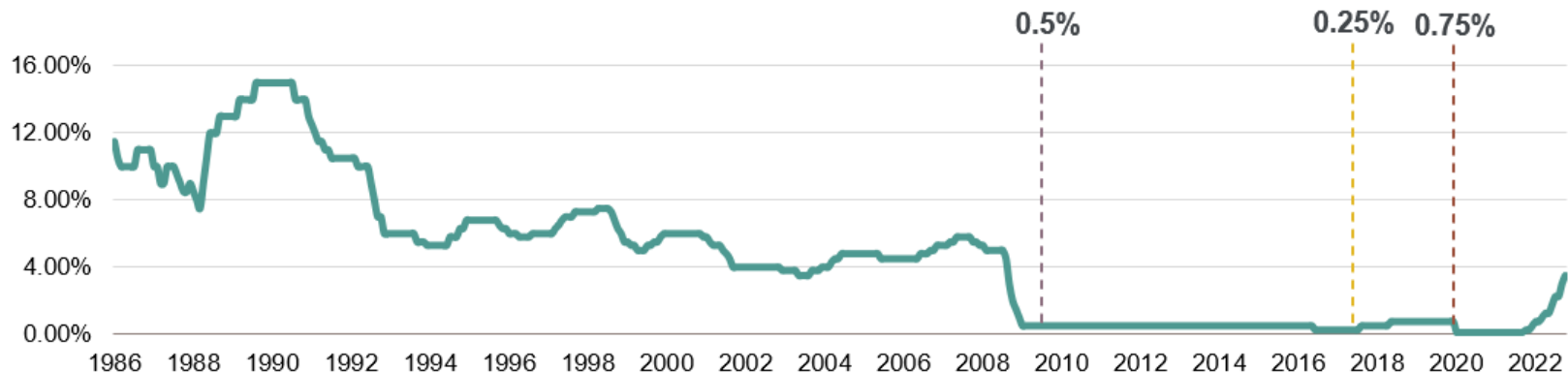
Set monthly by the MPC (Monetary Policy Committee)

▪ 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 by a majority of 6-3 to increase Bank Rate by 0.5 percentage points, to 3.5%. Two members preferred to maintain Bank Rate at 3%, and one member preferred to increase Bank Rate by 0.75 percentage points, to 3.75%.



Source: Bank of England

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Macro factors impacting Merchants



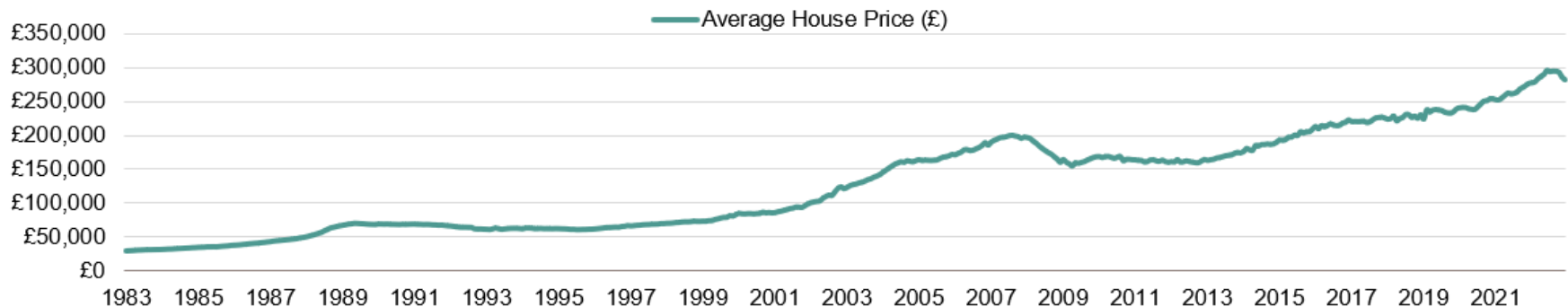
Standardised average house prices

Average Price (year end)		
2016	£222,190	+7%
2017	£225,032	+1%
2018	£229,729	+2%
2019	£238,963	+4%
2020	£244,112	+2%
2021	£262,454	+8%
2022	£287,330	+9%

▪ In December, the cost of the average UK home was £281,272, a fall on the previous month of 1.5%, with annual growth slowing to +2% (from +4.6%). However, the fall in December was lower than the monthly decline of 2.4% recorded in November, even taking into account seasonal slowdown driven by the festive period.

▪ At the end of December 2022, the average house price in the UK decreased to £281,272 from £285,425 in November 2022.

▪ House prices in December 2022 were 2% higher than in the same month a year earlier.



Source: Halifax House Price Index

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Macro factors impacting Merchants

Property transactions

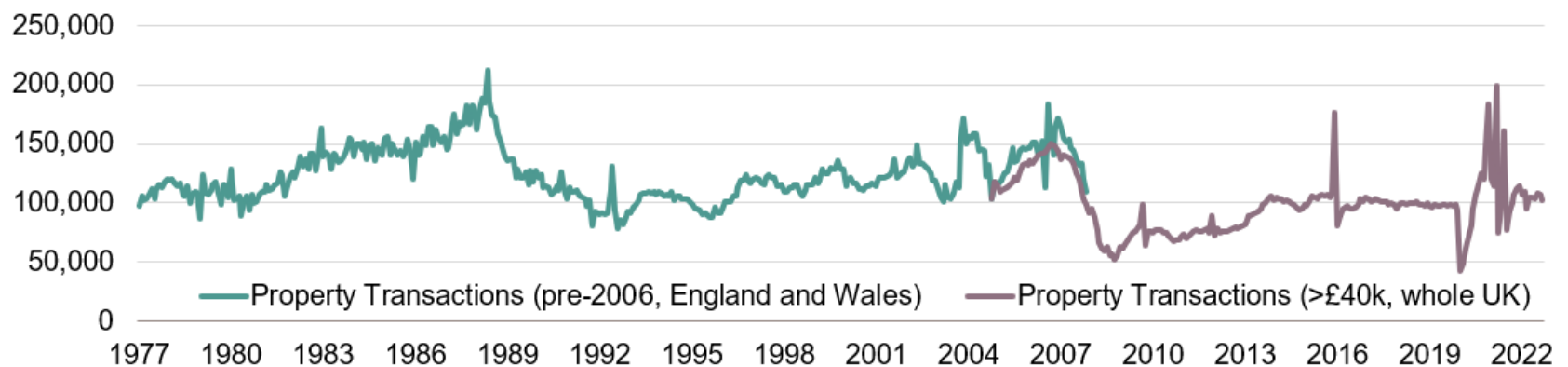
Monthly transactions, residential, seasonally adjusted



Annual total	
2018	1,190,350
2019	1,171,520
2020	1,041,610
2021	1,486,680
2022	1,276,260

- 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 December 2022 was 101,920 residential and 9,800 non-residential transactions.
- The seasonally adjusted count of residential property transactions in December 2022 is 1% higher than December 2021 and 3% lower than November 2022.



Source: HM Revenue & Customs

© GfK 2020 | Consumer Confidence Barometer | December 2022

Macro factors impacting Merchants

Mortgage approvals and property transactions

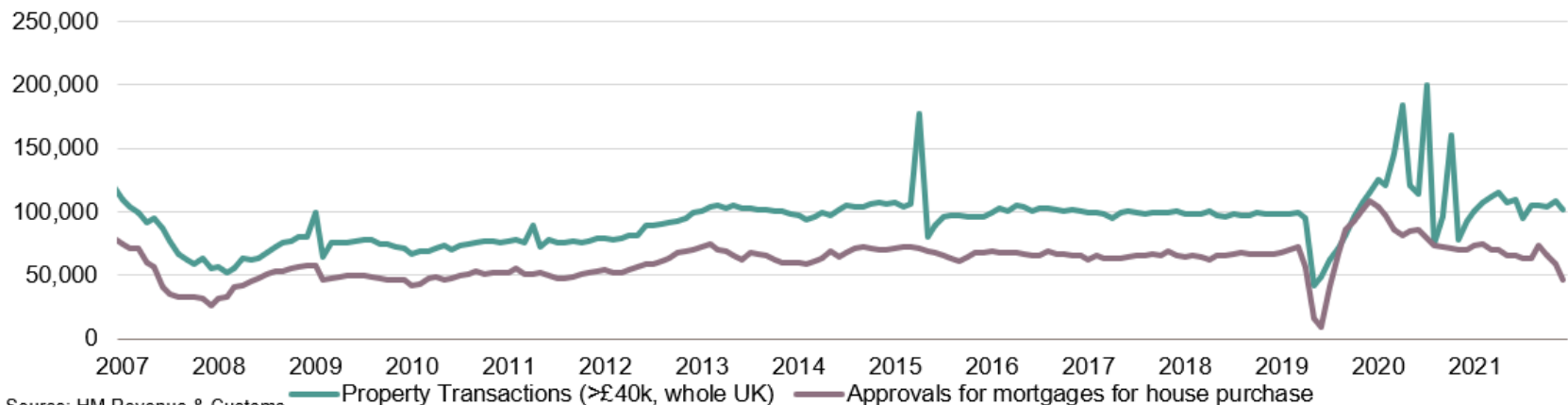
Monthly residential transactions and mortgage approvals (seasonally adjusted)



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

▪ Following year-on-year decreases in April and May 2020 of around 50% caused by the coronavirus pandemic, non-seasonally adjusted UK residential transactions gradually increased, before peaking in March, June and September 2021.

▪ The number of loan approvals for house purchase in the United Kingdom fell to 46,075 in November 2022 - this represents a 21.9% decrease from October 2022.



Source: HM Revenue & Customs

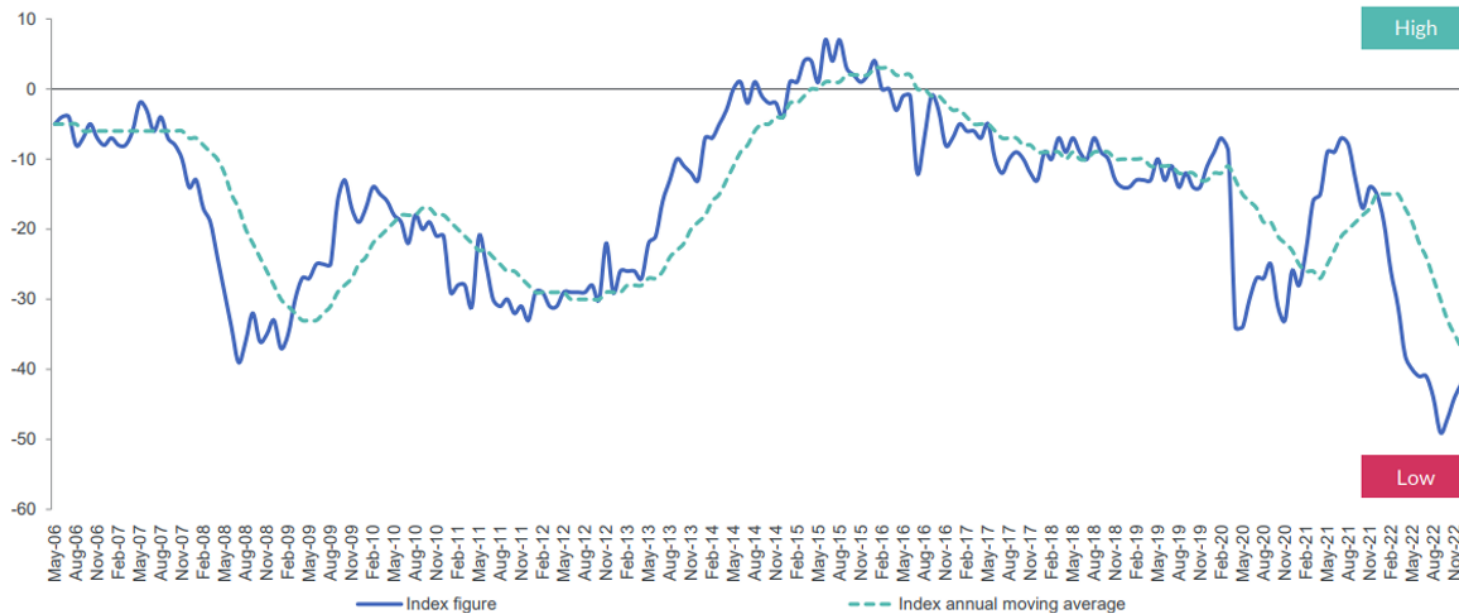
— Property Transactions (>£40k, whole UK) — Approvals for mortgages for house purchase

© GfK 2020 | Consumer Confidence Barometer | December 2022

Macro factors impacting Merchants



Consumer Confidence Index – December 2022



Joe Staton, Client Strategy Director, GfK says: December marks the eighth month in a row in which the Index has bumped along at -40 or worse, the first time this has happened since our records began nearly 50 years ago. Real wages are falling as inflation continues to bite hard, further straining the discretionary budget of many households. The outlook for our personal financial situation over the next 12 months – perhaps the key metric as we enter a new year – is stuck at -29. Concerns about our economic future remain acute and it's unlikely we will see a rebound in confidence anytime soon.

“building **excellence**
in materials supply”



“building **excellence**
in materials supply”

BMF (Builders Merchant Federation) Forecast Report

BMF Forecast Report

Winter 2022 edition

Builders Merchants Industry Forecast Report

The fifteenth edition of the BMF's Builders Merchants Industry Forecast, covering Winter 2022 onwards, is available now.

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 Winter 2022 edition now available. The forecast report can be downloaded by BMF members free of charge - once logged in – [here](#).

Non-members can purchase the report by contacting Thomas Lowe on 024 7685 4994 or email: thomas.lowe@bmf.org.uk



BMF
Building excellence
in materials supply

**Builders Merchants
Industry Forecast
2022**

Year in Review
Winter Edition
£250

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Building the Industry & Building Brands from Knowledge



Contact us

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