

“one **industry**  
one **voice**”

# Builders Merchant Building Index



Q2 2016

# Building the Industry & Building Brands from Knowledge

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# Introduction

**John Newcomb, Managing Director BMF**



The Builders Merchant Building Index (BMFI) report uses data from GfK's ground-breaking Builders Merchants Panel, which analyses data from over 80% of generalist builders' merchants' sales throughout Great Britain.

## **New this quarter**

GfK's Builders Merchants Panel started collecting data in July 2014 and for the first time, all trend data in the BMFI is now indexed on the 12 month period July 2014 to June 2015, as explained on the next page. 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 our industry access to far more accurate and comprehensive data than that available to other construction sectors.

Data from GfK's Builders Merchants Panel is setting a new standard to give us a reliable market picture. Unlike data from sources based on estimates, or sales from suppliers into the supply chain, this up-to-date data is based on actual sales out from merchants to builders and other trades.

Measuring the level of RMI work in the economy is hugely important to everyone including Government. Yet until now there has not been any decent measure of RMI, or even an approximation of it. The Builders Merchants Panel provides a reliable measure on a national scale.

We recognise the importance of sharing this data. In this spirit, MRA Marketing produces the Builders Merchant Building Index to communicate to the wider market as the voice of the industry as well as the voice of individual Expert Brands. We now have nine Expert Brands: Crystal Direct, Keylite Roof Windows, Timbmet, Alumasc Water Management Solutions, Hanson Cement, IKO plc, Keystone Lintels, Knauf Insulation and Encon insulation providing valuable commentary on market trends and influences.

GfK insights go deeper than the category sectors contained in this document. They can trace product group performance and track features that are relevant to you. GfK can also produce robust like-for-like market comparability tailored to the requirements of an individual business. As more merchants join in 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 getting involved should contact Ricky Coombes at [Ricky.Coombes@gfk.com](mailto:Ricky.Coombes@gfk.com)

The new BMFI website is now live. Compare Landscaping with Heavy Building Materials, or Kitchens with Timber on our interactive charts. Download the latest report, read the news or search through comments or blogs at [www.bmbi.co.uk](http://www.bmbi.co.uk). Follow us and the Experts [@theBMBI](https://twitter.com/theBMBI).

# An important change

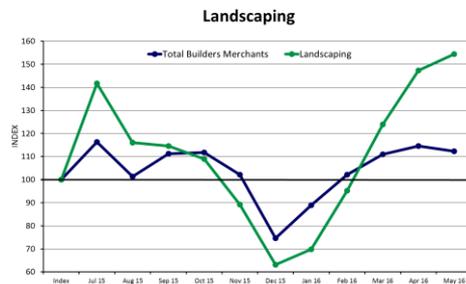
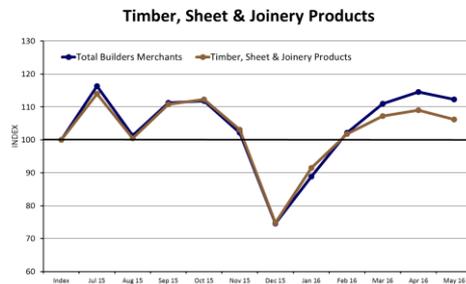
**Mike Rigby, Managing Director MRA Marketing**



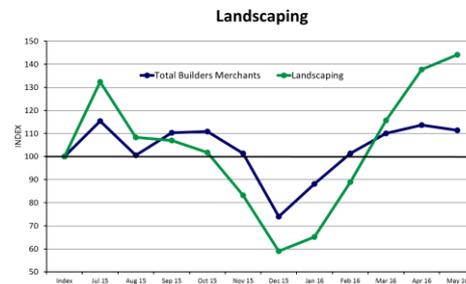
Six months ago we revised the index base to cover an average of six months (July to December 2014), rather than a single arbitrary month (July 2014). This provided a more robust base and helped mitigate seasonal and other influences.

With two full years data now collected we have been able to extend the index base again, this time to encompass 12 months from July 2014 to June 2015. Using a full year's data to anchor the index means any remaining influences have been eliminated and we have achieved an even higher level of confidence.

## Indexed on 6 month base:



## Indexed on 12 month base:



All of the charts and tables have been re-set to start from July 2015. As the Timber Sheet & Joinery Products charts illustrate, little changes as a result, showing that most of the arbitrary influences were eliminated after moving to the six-month base.

The main exception is Landscaping, which is particularly seasonal. Bringing Landscaping's spring and early summer peak period into the 12-month base has not affected its month by month movements. However the levels are a little different, as is Landscaping's relationship to the Total Builders Merchants index.

This is the final revision of the index base and all future reports will be directly comparable.

# Monthly: Index and Categories

**July 2015 – June 2016** (Indexed on monthly average, July 2014 – June 2015)

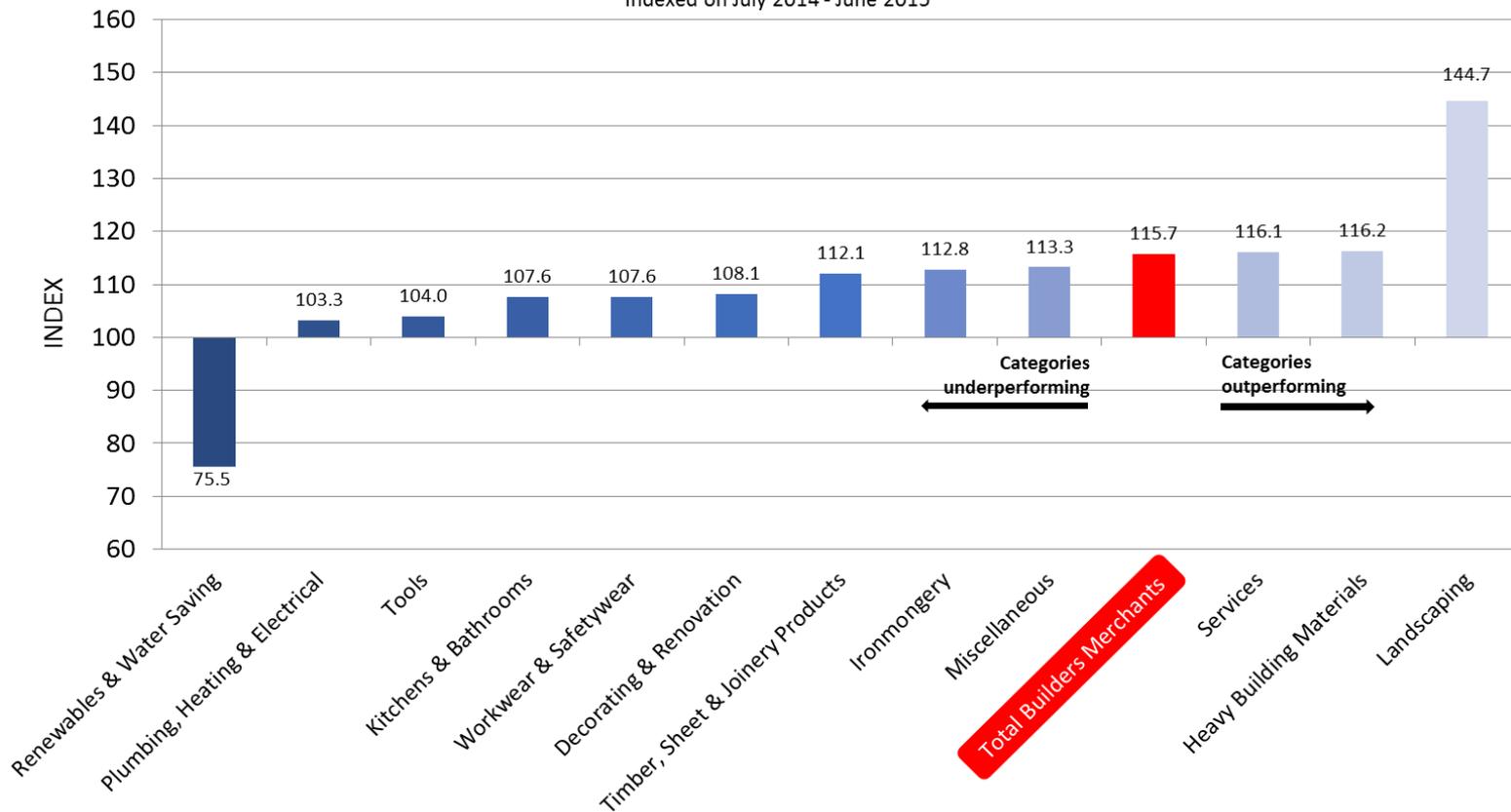
VALUE EX VAT £	Index	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16
<b>Total Builders Merchants</b>	<b>100</b>	<b>115.4</b>	<b>100.5</b>	<b>110.3</b>	<b>110.9</b>	<b>101.3</b>	<b>74.0</b>	<b>88.2</b>	<b>101.3</b>	<b>110.0</b>	<b>113.6</b>	<b>111.4</b>	<b>115.7</b>
Timber, Sheet & Joinery Products	100	113.8	100.4	110.6	112.1	102.9	74.7	91.3	101.6	107.1	108.9	106.0	112.1
Heavy Building Materials	100	115.6	100.3	110.8	111.1	100.2	72.2	87.1	100.8	110.1	114.3	111.7	116.2
Decorating & Renovation	100	114.8	104.6	111.9	112.7	103.2	78.4	90.9	101.3	106.6	107.5	105.4	108.1
Tools	100	107.9	94.4	105.1	105.7	103.7	75.9	89.6	99.7	104.1	106.9	99.8	104.0
Workwear & Safetywear	100	105.9	98.0	120.1	119.4	119.6	75.7	112.6	106.5	105.5	96.3	96.5	107.6
Ironmongery	100	114.1	101.5	111.7	112.3	108.1	84.3	100.5	108.9	113.0	112.8	110.9	112.8
Landscaping	100	132.4	108.4	107.0	101.7	83.2	59.0	65.2	88.9	115.7	137.7	144.2	144.7
Plumbing, Heating & Electrical	100	107.3	93.6	111.4	119.1	118.3	89.6	106.3	114.6	115.2	110.8	101.4	103.3
Renewables & Water Saving	100	75.7	67.7	104.0	99.6	95.9	76.0	78.1	71.8	72.5	67.1	64.8	75.5
Kitchens & Bathrooms	100	112.4	97.0	110.3	109.6	108.6	77.5	91.6	109.0	110.5	106.7	98.0	107.6
Miscellaneous	100	106.3	96.6	107.1	110.1	103.3	83.7	104.0	107.4	112.9	113.1	107.4	113.3
Services	100	112.7	102.5	108.4	111.4	102.4	83.1	86.2	102.3	114.6	111.3	116.7	116.1

# Monthly: Index and Categories

June 2016

## June 2016 Index

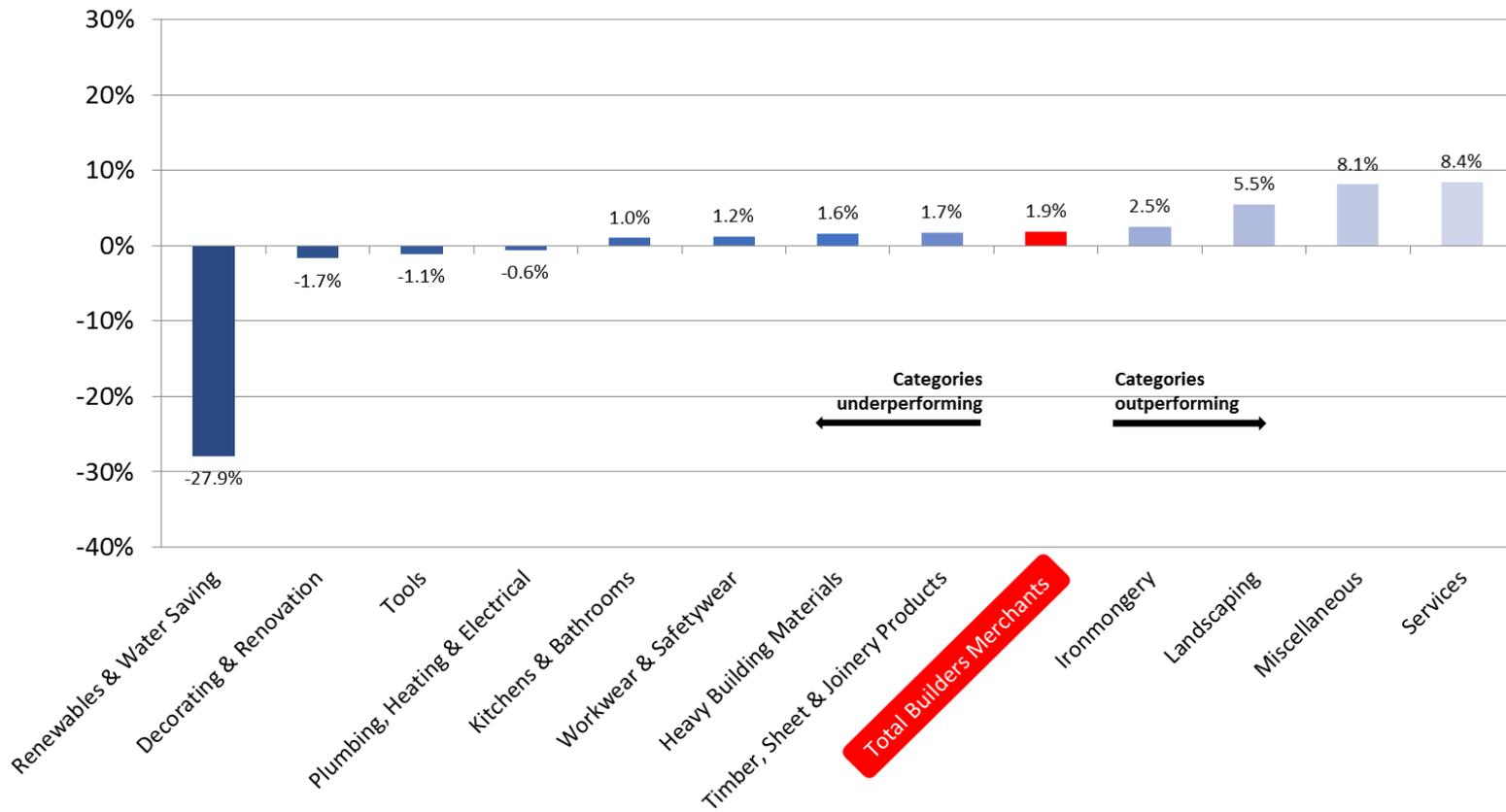
Indexed on July 2014 - June 2015



# Monthly: this year v last year

June 2016

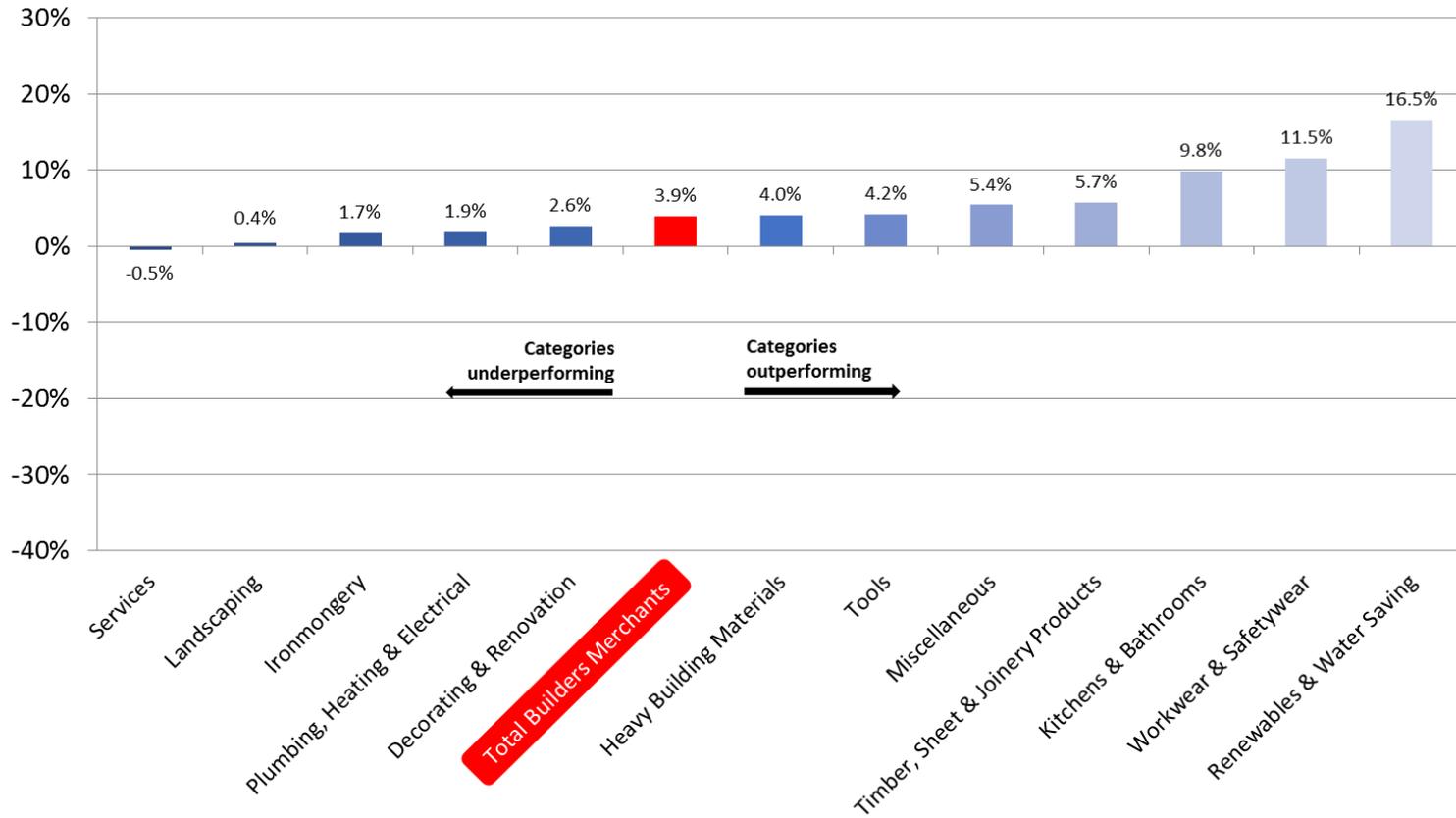
## June 2016 v June 2015



# Monthly: this month v last month

June 2016

## June 2016 v May 2016



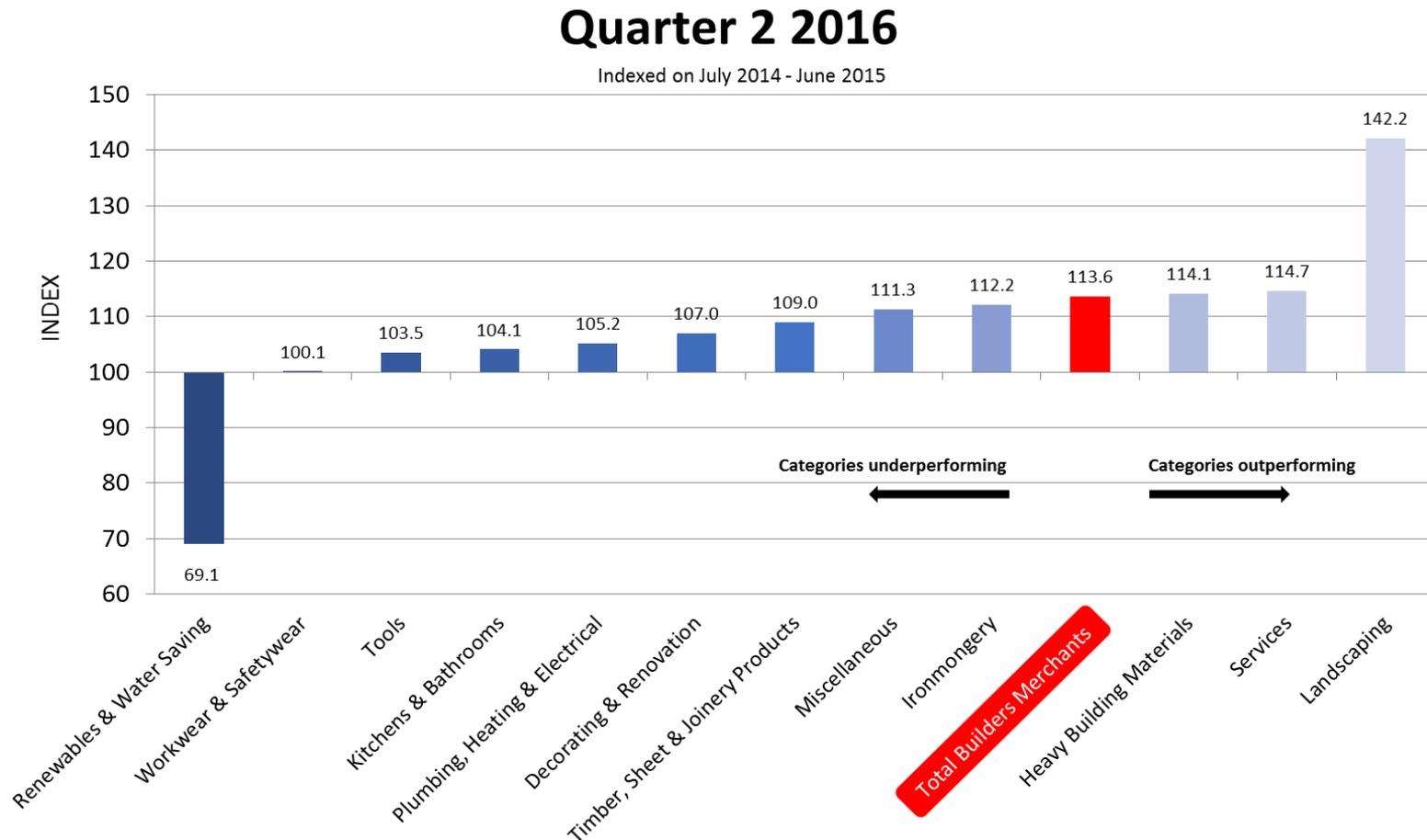
# Quarterly: Index and Categories

**Quarterly** (Indexed on July 14 to June 2015)

VALUE EX VAT £	Index	Q3, 2015	Q4, 2015	Q1, 2016	Q2, 2016
<b>Total Builders Merchants</b>	<b>100</b>	<b>108.7</b>	<b>95.4</b>	<b>99.8</b>	<b>113.6</b>
Timber, Sheet & Joinery Products	100	108.3	96.6	100.0	109.0
Heavy Building Materials	100	108.9	94.5	99.3	114.1
Decorating & Renovation	100	110.4	98.1	99.6	107.0
Tools	100	102.5	95.1	97.8	103.5
Workwear & Safetywear	100	108.0	104.9	108.2	100.1
Ironmongery	100	109.1	101.6	107.5	112.2
Landscaping	100	115.9	81.3	89.9	142.2
Plumbing, Heating & Electrical	100	104.1	109.0	112.0	105.2
Renewables & Water Saving	100	82.5	90.5	74.1	69.1
Kitchens & Bathrooms	100	106.6	98.5	103.7	104.1
Miscellaneous	100	103.4	99.0	108.1	111.3
Services	100	107.9	99.0	101.0	114.7

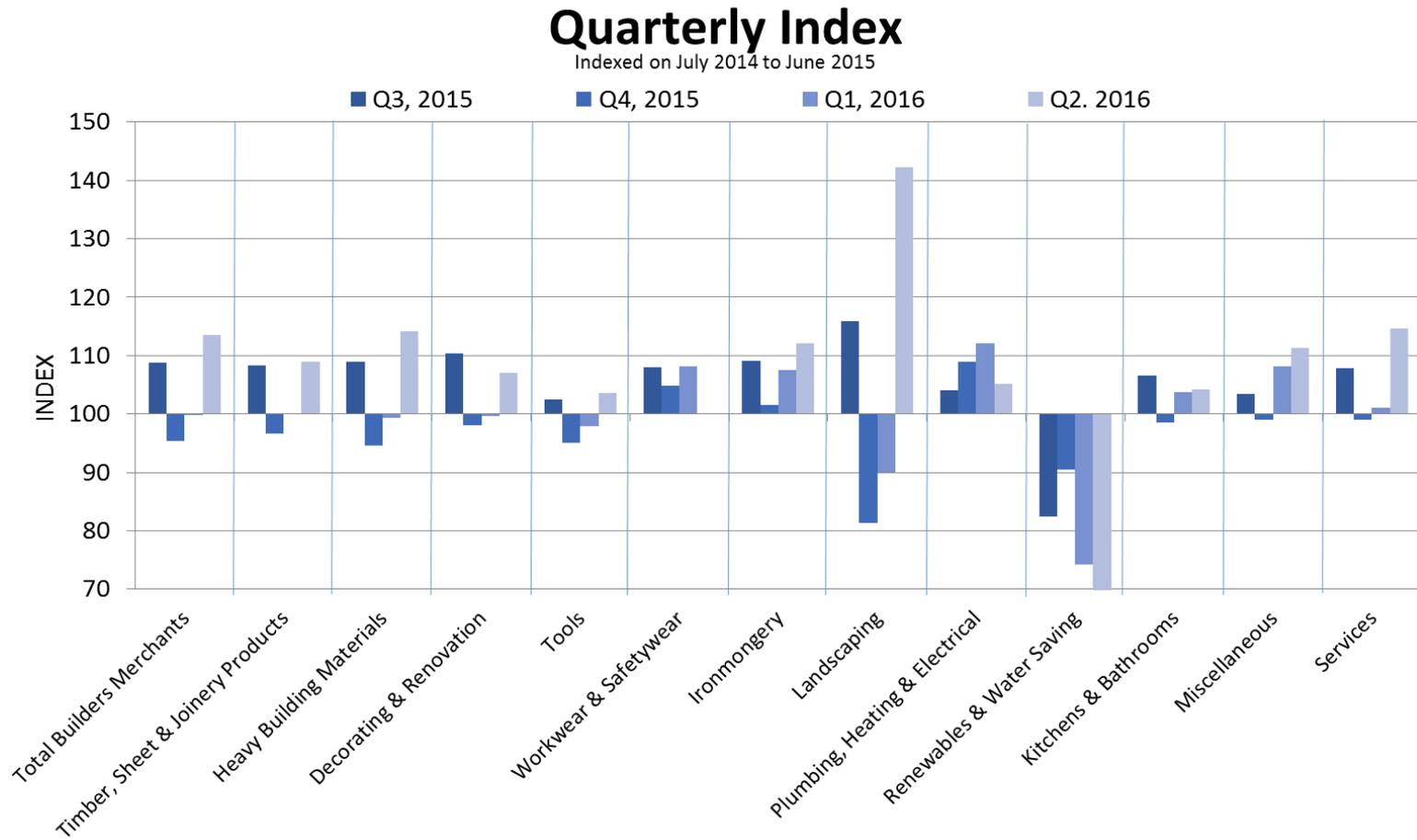
# Quarterly: Index and Categories

Q2, 2016



# Quarterly: Indices and categories

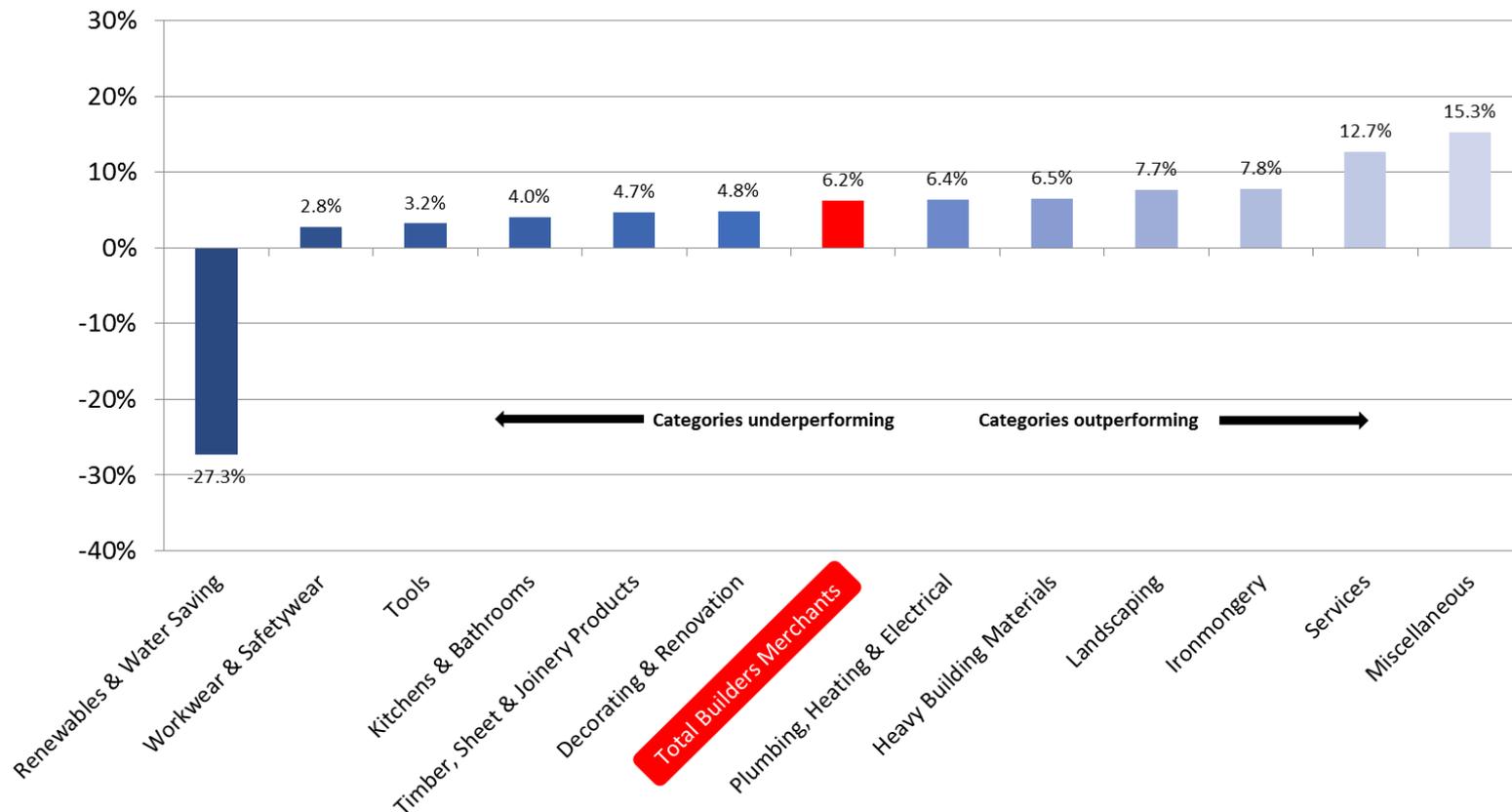
Q2, 2016



# Quarterly: this year v last year

Q2, 2016

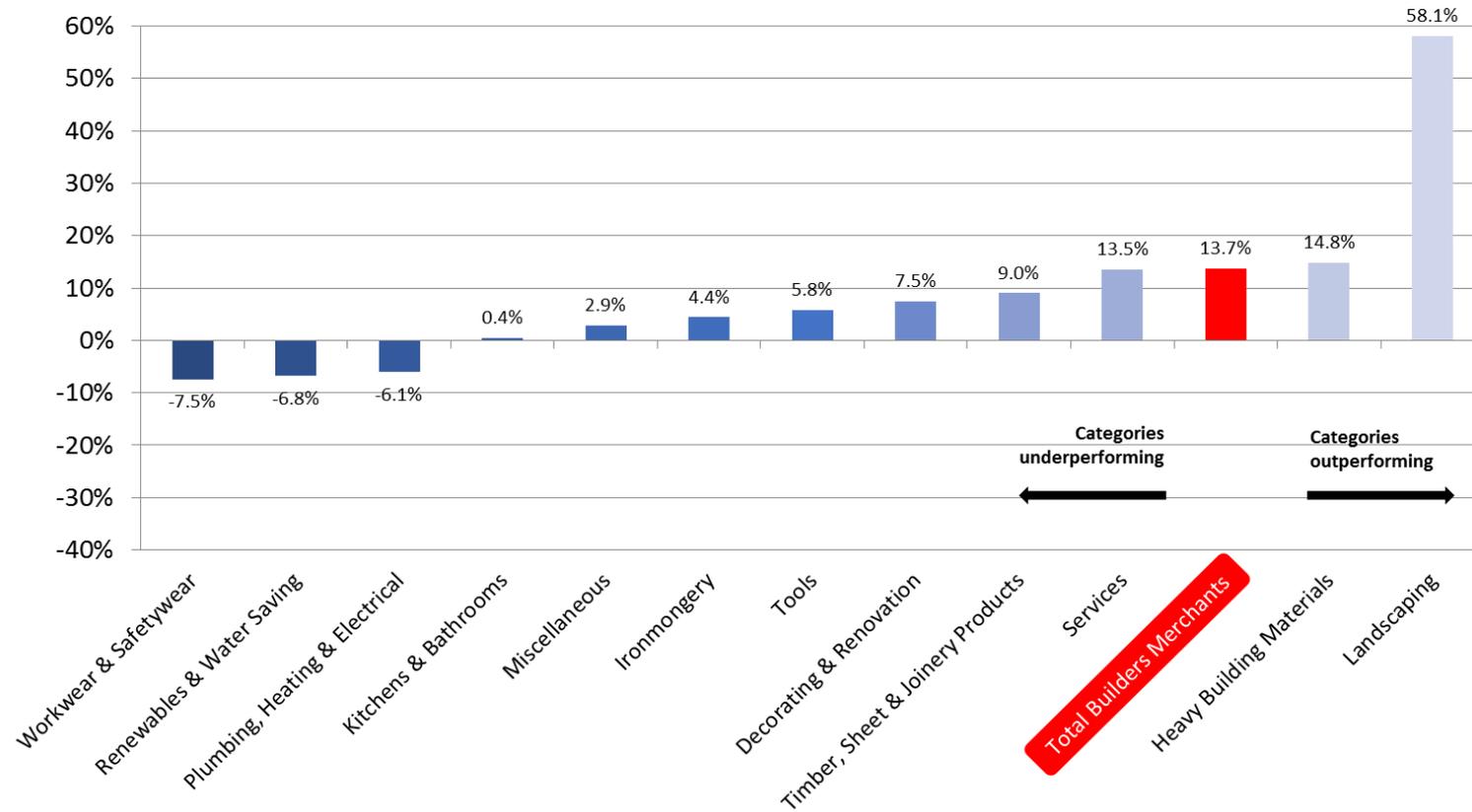
## Quarter 2 2016 v Quarter 2 2015



# Quarterly: quarter on quarter

Q2, 2016

## Quarter 2 2016 v Quarter 1 2016



# Overview

## John Newcomb, Managing Director BMF



This quarter's Builders Merchant Building Index covers the three months leading up to the Brexit decision. Despite press reports of pre-referendum jitters, merchants' turnover was robust.

### Year on year

Total Builders' Merchant second quarter sales were up 6.2% compared with the same three months last year, helped by two additional trading days this quarter. Six categories did better including Ironmongery (+7.8%), Landscaping (+7.7%), Heavy Building Materials the largest category (+6.5%) and Plumbing Heating & Electrical (+6.4%). Five categories grew more slowly but still exceeded last year. Only Renewables and Water Saving, a small volatile category, sold less.

June sales were 1.9% higher than June 2015. Eight categories recorded growth including Landscaping (+5.5%), Timber Sheet & Joinery (+1.7%) and Kitchens & Bathrooms (+1.0%). Four categories sold less than June last year, including Decorating & Renovation (-1.7%) and Tools (-1.1%).

### Consecutive periods

Total Builders' Merchant Q2 sales were 13.7% ahead of Q1, driven by Landscaping in its peak season (+58.1%) and Heavy Building Materials (+14.8%). Timber Sheet & Joinery increased 9.0%, with Decorating & Renovation (+7.5%) and Tools (+5.8%) also up. Plumbing Heating & Electrical (-6.1%) and Workwear & Safetywear (-7.5%) were down.

Compared with May, sales in June were 3.9% higher. The two largest categories Heavy Building Materials (+4.0%) and Timber Sheet & Joinery (+5.7%) did better. Kitchens & Bathrooms gained 9.8%. Only Services (-0.5%) sold less.

### Indices

The Builders Merchant Building Index for Q2 was 113.6\*, its highest level over the past four quarters. Landscaping (142.2), Services (114.7) and Heavy Building Materials (114.1) were ahead of the total index. All categories except Renewables & Water Saving were above 100.

June's monthly index of 115.7 was the highest in the last 12 months. Three categories also had their highest indices including Landscaping (144.7) and Heavy Building Materials (116.2). Only Renewables & Water Saving (75.5) was below 100.

For greater detail and benchmarking your market please contact GfK.

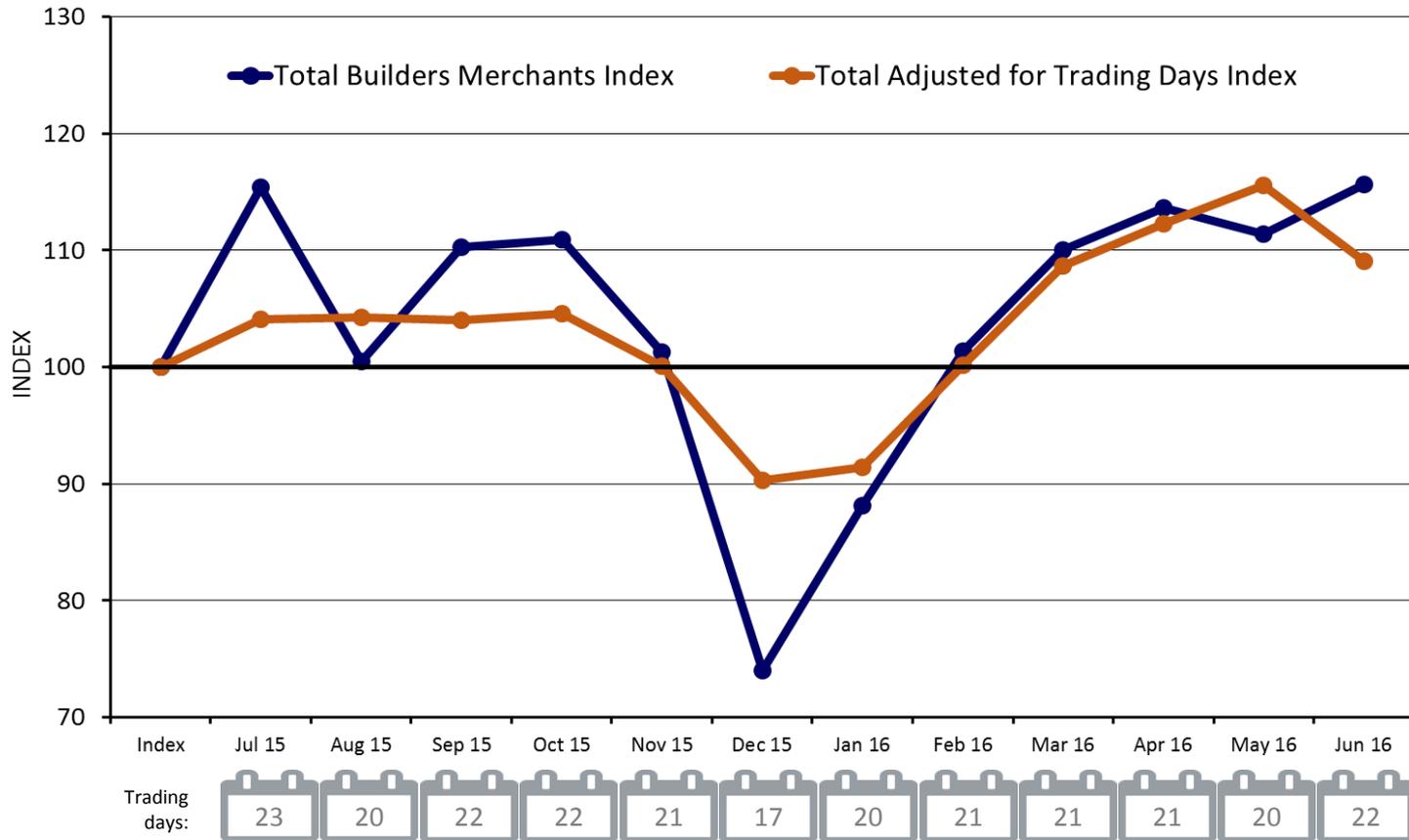
\*This is the first report using the finalised more reliable 12-month basepoint.

# Monthly Index

Adjusted for Trading Days



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



# Expert Panel

**PVC-U Windows & Doors** (part of Timber, Sheet & Joinery Products)



No.1 for choice • No.1 for colour



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

The general consensus is that we've yet to see a noticeable impact on PVC-U window and door business following the Brexit vote.

Large house building projects continue and housebuilder confidence appears unchanged. We're mid-way through August, and current and planned build programmes are unaffected. The 'out' vote created considerable despondency in the media and London bubble, and economic forecasts paint a grim picture. In the medium to long term the implications are completely unknown, but for most housebuilders and general builders it seems to be business-as-usual for now.

Builders' merchants' sales of bespoke PVC-U windows and doors grow at an extremely fast pace. There is also growing interest in conservatories, orangeries and solid roof conservatory-extensions. Fast growth is a combination of factors. Firstly, a growing number of builders are buying PVC-U windows from the builders' merchants where they buy most of their materials, rather than go elsewhere. Whether it's for multi-plot developments, self-build or one-off extensions, builders can now buy a full range of bespoke PVC-U windows and doors from their local branch, which is convenient.

Secondly, the styles, quality and colour choice of the windows and doors they're offered has broadened considerably. So builders can sell a far greater, more attractive range of windows, doors and conservatories to their customers and benefit from added value sales.

Frequent product training at builder and merchant level, backed by the dismantling of the barriers to bespoke products are also closing the skills gap. More builders are installing PVC-U windows and doors directly rather than subcontracting the work. Deliveries on short lead times direct to the builder are an added bonus.

The industry is well down the path of transforming the bespoke PVC-U market for independent merchants, regional chains and large nationals. Expect strong growth to continue.

# Expert Panel

**Roof Windows** (part of Timber, Sheet & Joinery Products)



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

Roof windows, one of the faster growing markets in the Timber, Sheet & Joinery Products category, continued to outperform strongly in Quarter 2.

The recent period of Brexit uncertainty weakened confidence and created short term concern among some merchants about some product sectors, but in Quarter 2 roof window sales were unaffected, which is to be expected as it reflects projects planned much earlier. One large regional merchant in the South East for example reports “booming” roof windows and roofing category sales.

Roof windows are mostly used in repair maintenance and improvement (the RMI market) and lower interest rates should encourage homeowners borrowing to fund home improvements. The UK population is growing fast and families need additional living space, so there is both pent-up demand and new demand for housing and the space to live in comfort. The combination is huge. While housing mobility remains an issue it drives the home improvement market which will further boost the prospects for roof windows.

In new build, national and regional house builders are talking about substantial increases in 2017 build programs and beyond. A stable political scene and lower interest rates should reinforce consumer confidence to borrow and buy.

Housebuilders also expect RIR (Room in the Roof) to become a more significant part of their portfolios. The combined effect of building more houses and increasing the proportion of new houses with RIR will have a very positive influence on roof window volumes.

On the downside, virtually all the roof windows purchased in the UK are manufactured in Europe. So, the slide in sterling's exchange rates could lead to price increases as manufacturers move to reduce the impact this has on their businesses.

In summary, roof windows had a strong first half and we can expect a good second half in 2016.

# Expert Panel

## Timber & Panel Products (part of Timber, Sheet & Joinery Products)



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

The result of the EU referendum hasn't had any immediate, direct effect on construction beyond delays to the start of some projects. However, we expect volatility in the value of sterling, particularly against the US dollar and Euro to persist. This will affect the cost of imported products and supplier prices. Hardwood timber and machined products are influenced more by the dollar. Softwoods and panel products are affected by fluctuations in the Euro.

Builders' merchants' sales of timber and panel products were stronger than expected in the last quarter, 4.7% up on the same period last year. Demand for fully finished product is rising as merchants develop their offering and recognise the attraction of value added solutions to their customers.

The timber window and door market is strong with a pronounced move to engineered products for their greater durability and resistance to warping and twisting in the finished product. The environmental credentials and cost savings from reductions in manufacturing waste make engineered timber an increasingly obvious choice. The national and trade media has highlighted growing skills shortages in construction and the implications for capacity, costs and project completions. As part of a coordinated long term solution businesses are being encouraged to plug the skills gap with apprenticeships. However the skills shortage is having a positive effect on the engineered timber market as merchants and their contractor customers favour timber products that are easier to handle, flawless so they're easier to work with, and more dimensionally stable.

There is a shift in the melamine sector too towards the premium end of the market. Over the next six months, we expect some of the major producers will be refreshing their ranges to reflect increased demand for timber and textured-effect melamine. This may lead to industry wide stock fluctuations as specific lines are phased out to reflect the shift.

# Expert Panel

## Civils, Metal Rainwater & Drainage (part of Heavy Building Materials)



### **Steve Durdant-Hollamby, Managing Director Alumasc Water Management Solutions (AWMS) is BMBI's Expert for Civils, Metal Rainwater & Drainage.**

Market activity is good. Metal Rainwater & Drainage is ahead of last year and fairly buoyant compared with other heavy building materials. Civils is lagging because some projects have been temporarily paused following the Brexit referendum. Others have formally been put on hold and will be reviewed later in the year. We expect the uncertainty to continue to affect projects into the next quarter.

Rising material costs from a weak pound are putting manufacturers' margins under pressure. However on the upside, there has been increased interest in buying British, and exchange rates are already boosting export activity which is experiencing a surge.

Aside from the initial turbulence and uncertainty, Britain's vote to leave has not created any major problems so far. However the vote was a severe shock to many people, particularly to the media and economic forecasters who were taken unawares, so the industry is watching closely as data becomes available to see how the real economy responds. In an effort to stimulate housebuilding, the previous Government eased planning restrictions. The new Government is focusing on building more homes and improving infrastructure. Taken together they should give a welcome boost to our industry.

Climate change is not some far away threat. It's affecting many aspects of our lives now. Last year was the warmest on record; this year is hotter still. Warmer means wetter, and water is recognised as one of the six biggest threats facing the UK. The challenge is how we prepare and modify our built environment so we can live and work in a far wetter world without risk.

It's encouraging therefore that expectations are rising across the supply chain from architects and specifiers, through to stockists and installers looking for products that demonstrate the best quality, performance and environmental credentials. It's also encouraging to see strong growth in end-to-end water management solutions.

# Expert Panel

## Cement & Aggregates (part of Heavy Building Materials)



### **Jim Claydon, Managing Director Hanson Cement is BMBI's Expert for Cement & Aggregates.**

The market for heavy building materials in Q2 is up on last year, but cement and aggregates has been less buoyant, with trade flat or slightly down. It slowed in the run-up to the EU Referendum vote, and uncertainty led to delays and postponements for major contracts and commercial projects.

In product usage there has been a continuing trend via merchants for ready-mixed products and the use of plastic packaged cement. These are key growth opportunities for merchants, offering the chance to sell higher value, higher margin products.

There are indicators that merchants who position products to maximise sales see better returns. The difference between merchants who use this approach and those who don't may become more marked as the market improves. When things get busier and there's a high turnover of stock, products are more likely to be dumped in the yard wherever there's space - unless there's a plan already in place.

Keeping associated products together, for example, placing cements, aggregates and sands close to brickwork and blocks makes the purchasing journey easier for builders and contractors. They can pick up all they need in one area without driving round the yard – or miss something and have to go elsewhere. This also gives the merchant the opportunity to upsell. Manufacturers should provide information and training for merchants to help identify where and how to optimise sales by careful positioning and use of POS material.

#### **Safe as houses**

Aside from market trends, Health and Safety remains a big issue. Construction has had to work hard to improve safety throughout the supply chain. Companies who move large loads by HGV for example, face serious issues; there are still fatalities reported. To address this issue in the Cement and Aggregates sector, the Mineral Products Association (MPA) has just published a Driver's Handbook, developed by members. It covers legal requirements for drivers and vehicles, and offers advice on emergency situations and general good practice.

# Expert Panel

## Roofing Products (part of Heavy Building Materials)



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

The pound has lost 8-10% of its value against the dollar over the last month or so. Few expect sterling to recover in 2016. This drop in value is having immediate effects. Here and now, it's a challenge and an opportunity for the roofing industry.

Imported components, finished goods and raw materials will bump up the cost of living. Come September many of these price rises will be feeding through to industry and consumers. Britain will be getting used to a higher cost of living. That will be a shock, and RMI will come under inflationary pressures in the second half of the year with a potential rise in fuel costs, groceries and everyday goods. Over time it will feed into wages and salaries, although at a weaker and slower rate.

The more the cost of imports rise, the greater the opportunities for UK manufacturers like IKO to take market share. But as many roofing products are oil based, product prices will also rise if raw material costs go up.

Specification in the roofing sector has had a slow start this year, but funding and new projects are slowly coming through now. Post referendum, we have the opportunity to invest in major projects to improve the UK's infrastructure, and the need for more housing is not going to change. Analysts and forecasters were quick to write down the value of housebuilder shares and the prospects for housebuilding. Yet the NHBC recently reported 41,222 new homes registered across the UK in Q2, the strongest housebuilding quarter since 2007. I expect the trend to continue for the rest of the year. So the second half of the year will be busy – though this comes with its own challenges as skills shortages are still an issue.

The correct choice of roofing material for a particular type of roof and project is one of the biggest issues in roofing. Before assuming a favoured product is the right choice, eg single ply, mastic asphalt or hot melt, specifiers and contractors need more dialogue with suppliers who can advise what is best in the circumstances. The larger the project the more important it is to make the right choice.

# Expert Panel

**Steel Lintels** (part of Heavy Building Materials)



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

The referendum is behind us. Initial fears of the economy going into freefall are wearing off and a more pragmatic even optimistic vision of the future is emerging. The outcome in Downing Street was a 'comical' distraction: in just under two months, we have a new Prime Minister, and a new Government with indications of some new directions. Whether or not we have a new opposition is still to be played out!

Confidence is critical to our industry and while changes are inevitable, no one really knows what the long term implications are at this stage. Some projects may be put on temporary hold while the fog clears and construction forecasts revised downwards, but national housebuilders are still citing strong sales and are talking positively about future expectations.

In the first six months of 2016 business was reasonably active and up by around 4% on the same period last year, with the market plateauing at the end of Q2. We expect it to stay flat until the end of the year. Material shortages in the steel industry are the biggest challenges for the next 6-9 months, and steel prices are projected to increase further, due to restricted supply.

The Bank of England's cut in interest rates to 0.25% and its encouragement to other banks to keep lending sends a strong positive message. It should give the housing market a small lift, or at least maintain current activity. Our new PM Theresa May is also saying the right things, putting housebuilding at the centre of her economic policy agenda. In a recent speech, she emphasised the need to address the housing deficit to control rising house prices and help more young people on to the property ladder.

Looking ahead, product innovation and a 'Fabric First' approach are key priorities for Steel Lintels. With new regulations driving energy efficiency, housebuilders are increasingly looking for product solutions to help them meet these standards in the most efficient and cost effective way. Manufacturers need to be a step or two ahead and demonstrate a good technical understanding of what is required for tomorrow's housing.

# Expert Panel

## Mineral Wool Insulation (part of Heavy Building Materials)



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

In the first quarter BMBI report I referred to a 'Brexit hangover' in a number of merchants' public statements. I thought the entire industry would breathe a sigh of relief after the referendum irrespective of the result, but since then there's been a period of prolonged uncertainty as we all try to untangle what it means for the country and for our businesses.

Added to that, with any change of Government you have a hiatus while they sort themselves out and then think about what they want to do. Prime Minister Theresa May has made statements about targeting the 'working poor', suggesting energy efficiency will be a significant part of that goal. That might just be a plan to replace the Green Deal, or create something around infrastructure investment. One plus is that the Government has already made a public statement about pushing landlords to improve the energy performance of homes with EPC ratings 'F' or 'G', the two lowest grades of energy efficiency, from 2018.

Another significant change for the insulation industry is the absorbing of the Department of Energy and Climate Change into the Department for Business, Energy and Industrial Strategy. Initial efforts to interpret the motives for the merger were contradictory. Some suggested a significant downgrading of priorities for both energy strategy and action on climate change. But I hope it suggests that 'energy' will now sit in a more powerful Department with climate change becoming a key issue across Government departments.

Despite some of the scaremongering in certain corners of the press, insulation sales to merchants were positive throughout Quarter 2, and positive compared to the same period in previous years. I hope that trend continues but remain cautious until I see the longer term plans of the new Government, and what they mean for construction as a whole.

# Expert Panel

## Insulation Products - Distribution (part of Heavy Building Materials)



### **Mike Beard, Merchant Development Director Encon Insulation is BMBI's Expert for Insulation Products - Distribution.**

The referendum result was a shock and sterling suffered. Most forecasts predict a worsening market. House builder shares are down, but half-way through the third quarter, some house builders and merchants are reporting good markets.

Doom and gloom dominates the news but, talking to key players in construction, I see a silver lining. In Yorkshire, a large regional house builder says they're at capacity, bolstered by a simplified planning process. I've learnt that a major merchant is incredibly busy with demand creating new roles and potential expansion. We won't know until we see the Q3 BMBI report, but the mismatch between industry forecasts and market feedback is puzzling.

Theresa May's new Government has made housing a key priority, but we can't start cheering. We have a housing backlog and our population is the fastest growing in Europe. Large house builders are apparently gearing up to supply more, but they'll never build the numbers Britain needs. We need to make it easier for an army of small private developers and self-builders to service this need.

That's not easy because build numbers are comparatively small and feature more bespoke specifications. Smaller scale builders rely on expert advice from merchants to ensure they use the right product in the right way to achieve the right acoustic, thermal and fire details to meet Building Regulations.

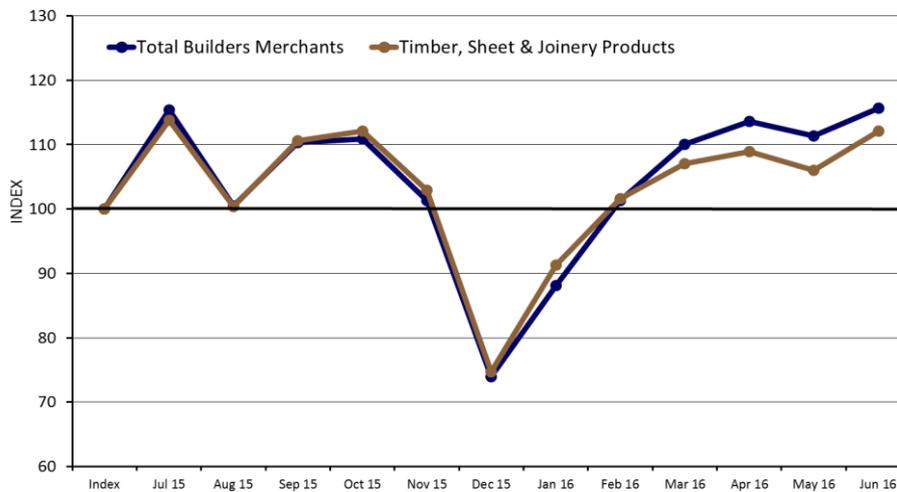
Collectively, self-builders and small developers are a growing part of the market, but servicing their needs quickly and efficiently is a challenge. The potential range and type of insulation products for self-builds and one-off projects are wider than merchants usually stock, and staff are unlikely to be familiar with them and their applications and key features.

To ensure that they can continue to offer their customers a high level of support and service, independent builders' merchants can utilise the technical knowledge provided by their distribution partners to help them make the most of this opportunity.

# Quarterly Report

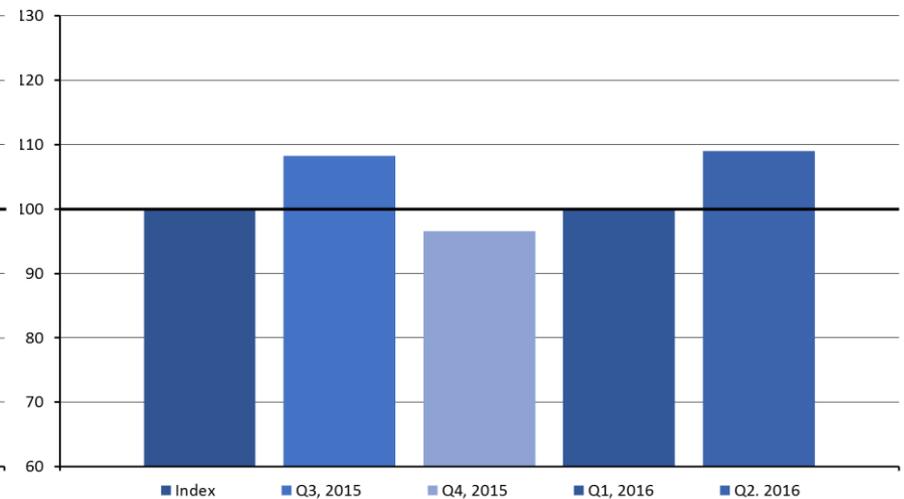
## Q2 2016

### Timber, Sheet & Joinery Products



Monthly chart indexed on July 2014 – June 2015

### Timber, Sheet & Joinery Products - Quarterly

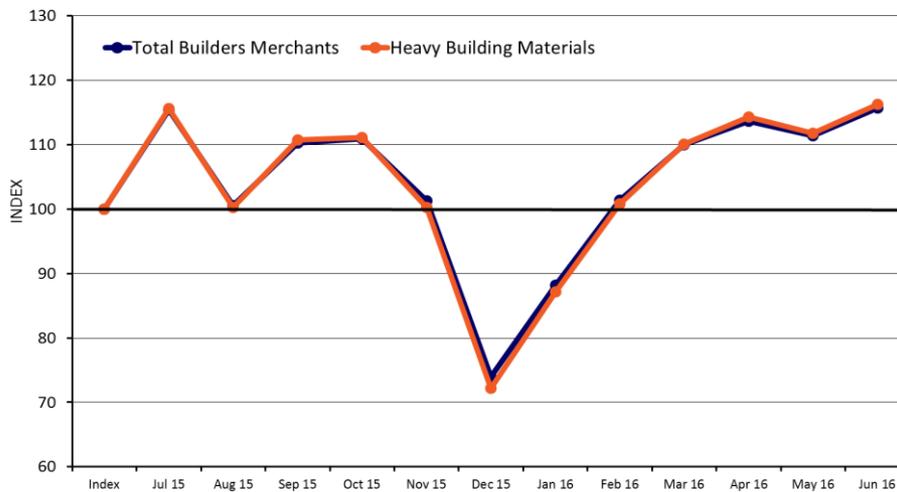


Quarterly chart indexed on July 2014 – June 2015

# Quarterly Report

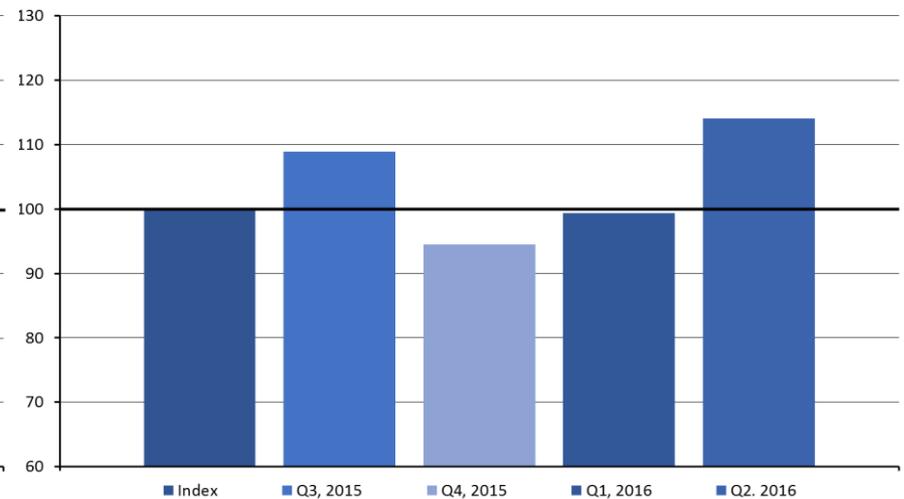
## Q2 2016

### Heavy Building Materials



Monthly chart indexed on July 2014 – June 2015

### Heavy Building Materials - Quarterly



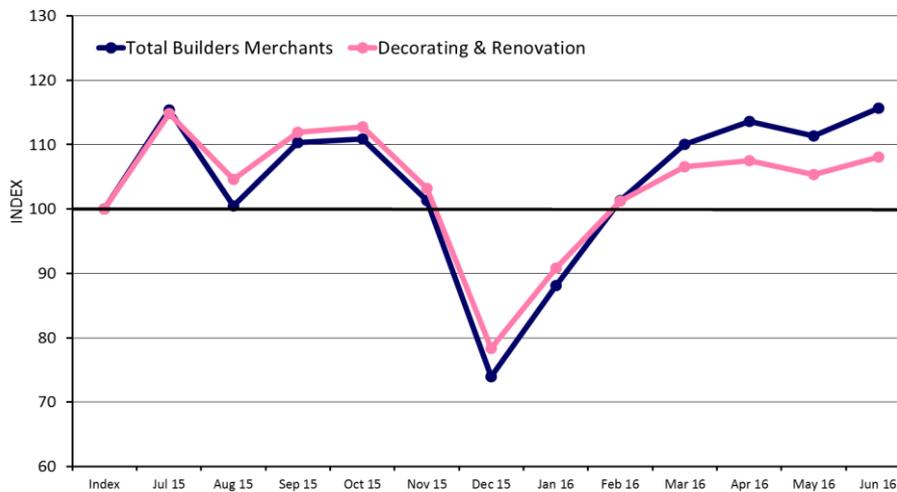
Quarterly chart indexed on July 2014 – June 2015

# Quarterly Report

## Q2 2016

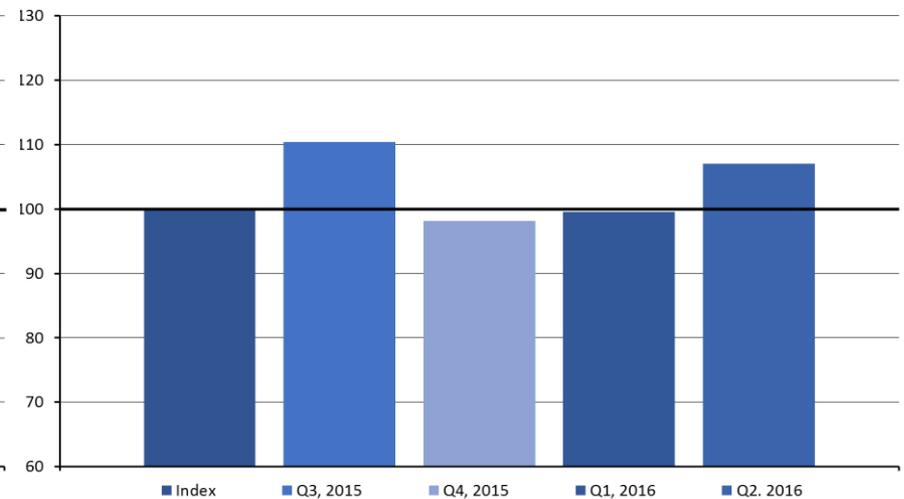


### Decorating & Renovation



Monthly chart indexed on July 2014 – June 2015

### Decorating & Renovation - Quarterly



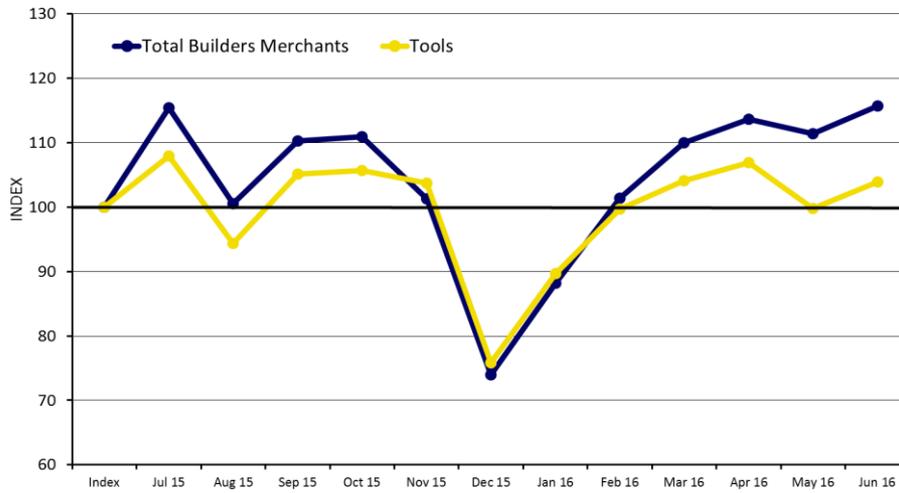
Quarterly chart indexed on July 2014 – June 2015

# Quarterly Report

## Q2 2016

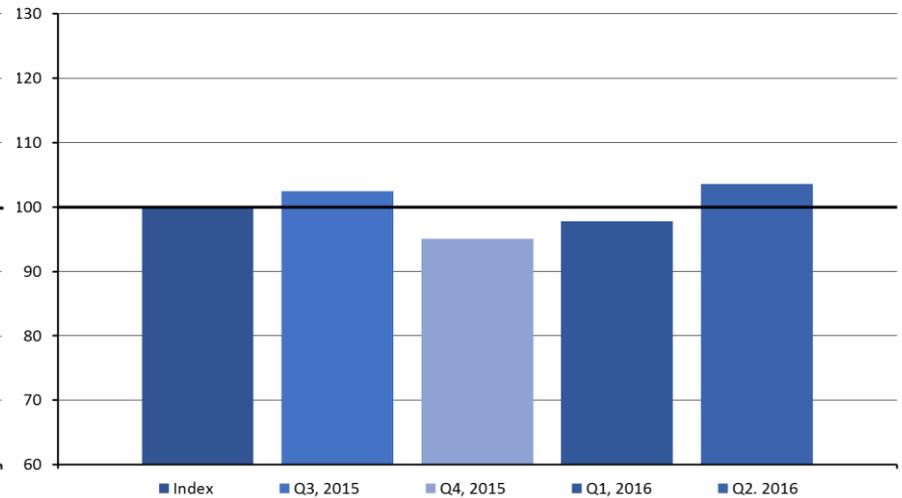


### Tools



Monthly chart indexed on July 2014 – June 2015

### Tools - Quarterly

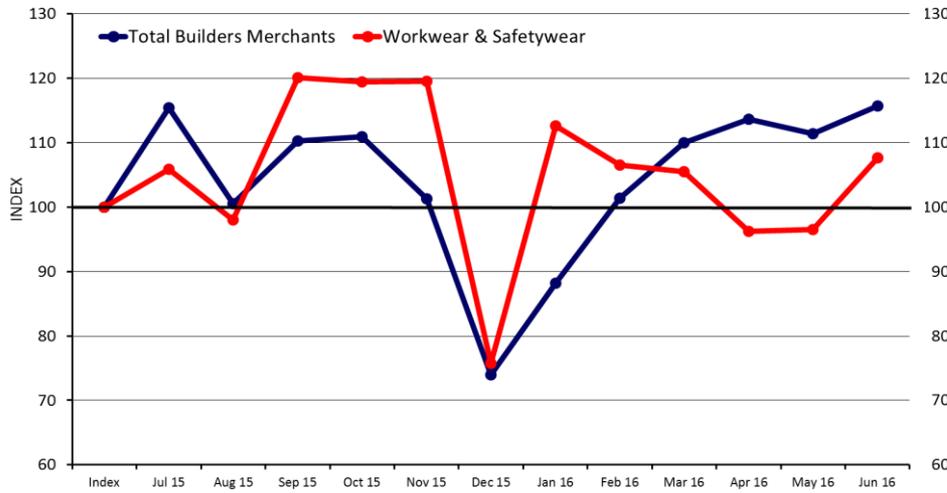


Quarterly chart indexed on July 2014 – June 2015

# Quarterly Report

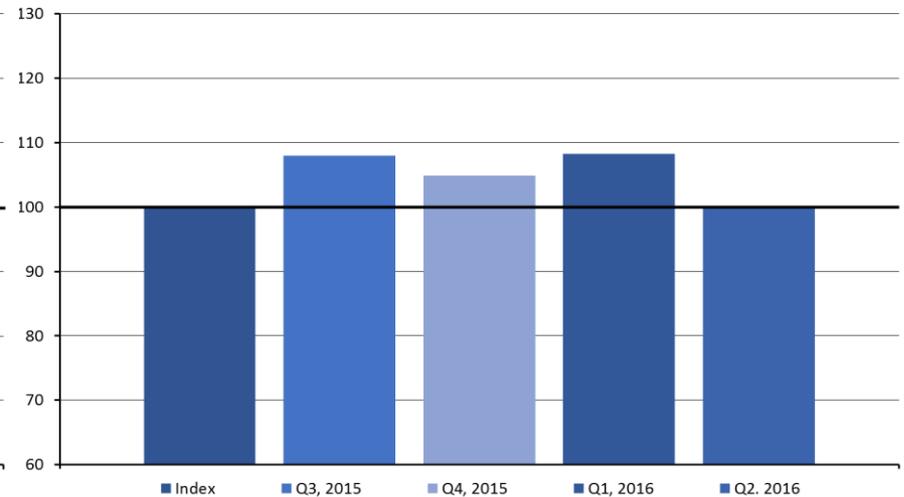
## Q2 2016

### Workwear & Safetywear



Monthly chart indexed on July 2014 – June 2015

### Workwear & Safetywear - Quarterly



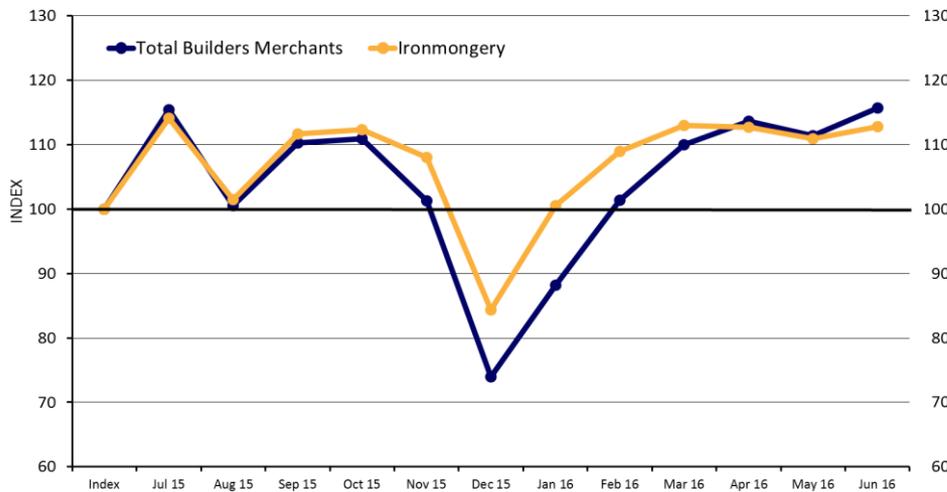
Quarterly chart indexed on July 2014 – June 2015

# Quarterly Report

## Q2 2016

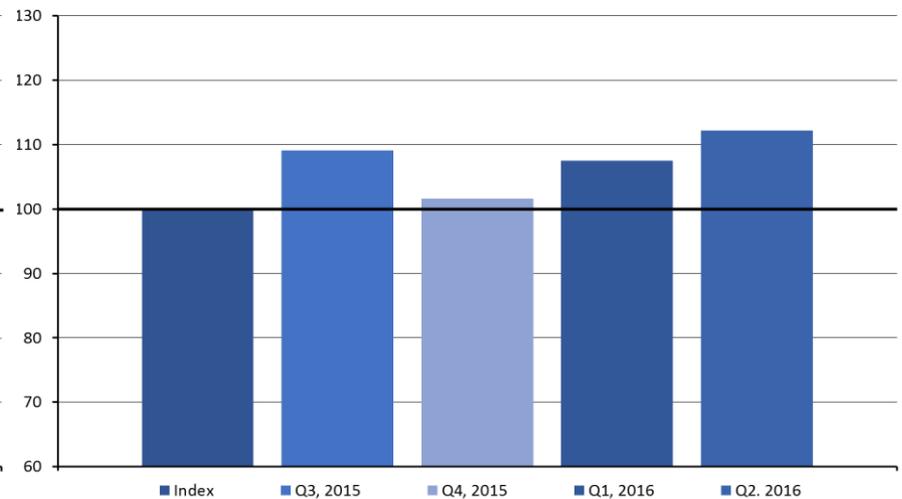


### Ironmongery



Monthly chart indexed on July 2014 – June 2015

### Ironmongery - Quarterly



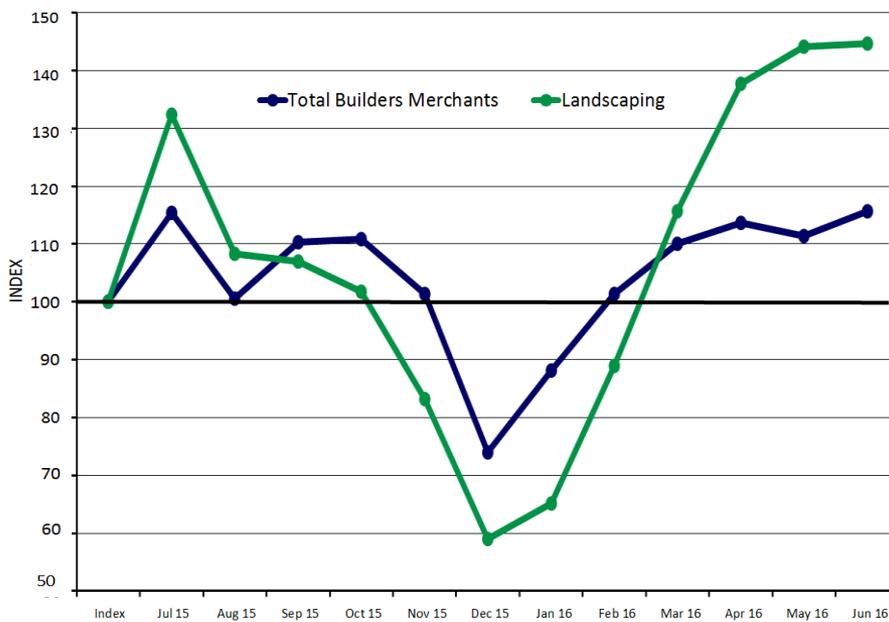
Quarterly chart indexed on July 2014 – June 2015

# Quarterly Report

## Q2 2016

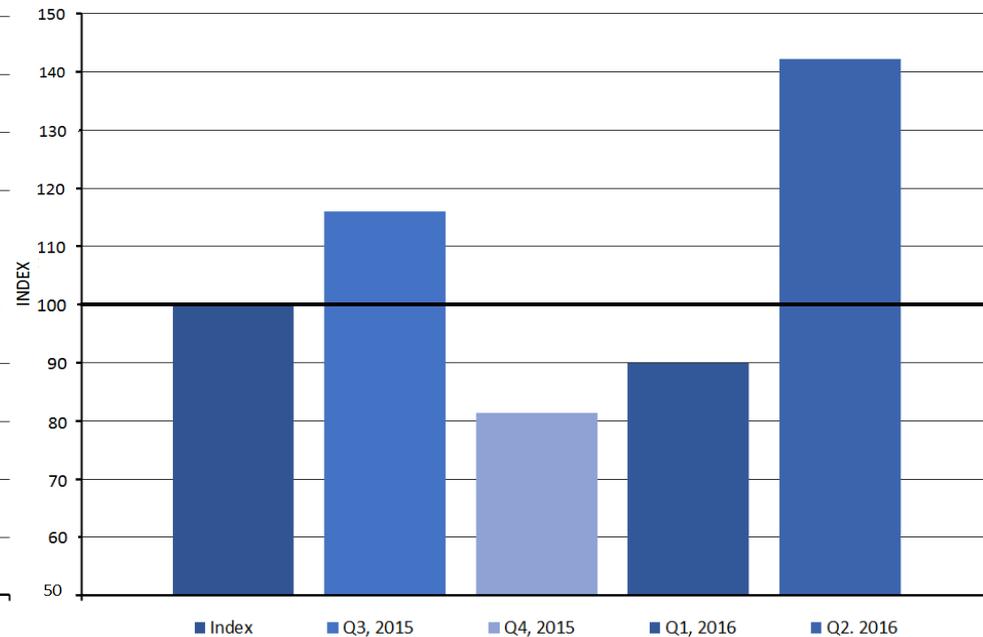


### Landscaping



Monthly chart indexed on July 2014 – June 2015

### Landscaping - Quarterly



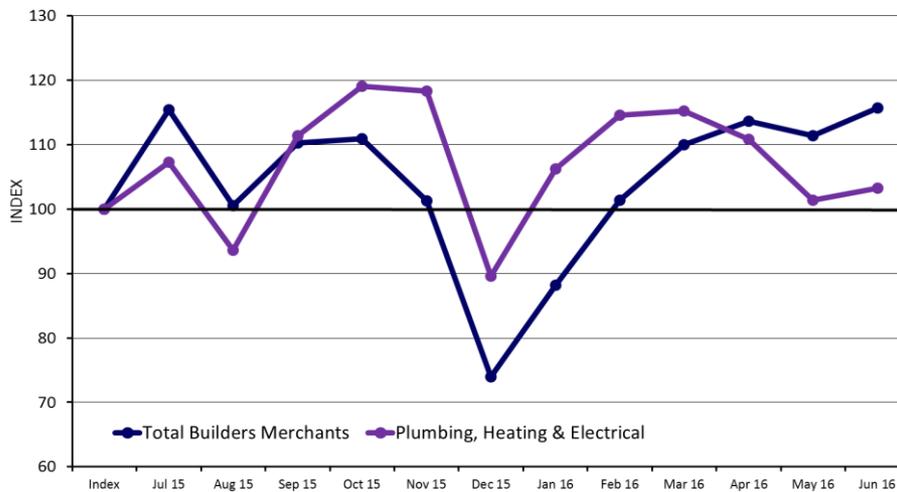
Quarterly chart indexed on July 2014 – June 2015

# Quarterly Report

## Q2 2016

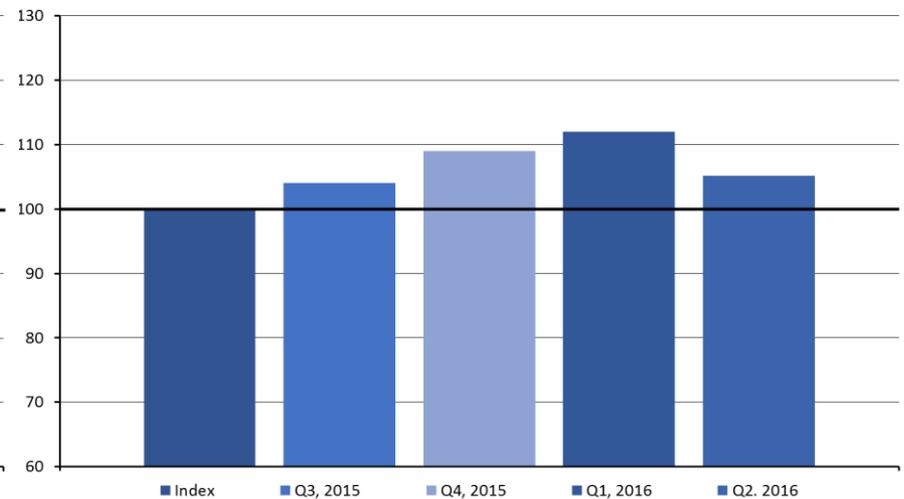


### Plumbing, Heating & Electrical



Monthly chart indexed on July 2014 – June 2015

### Plumbing, Heating & Electrical - Quarterly



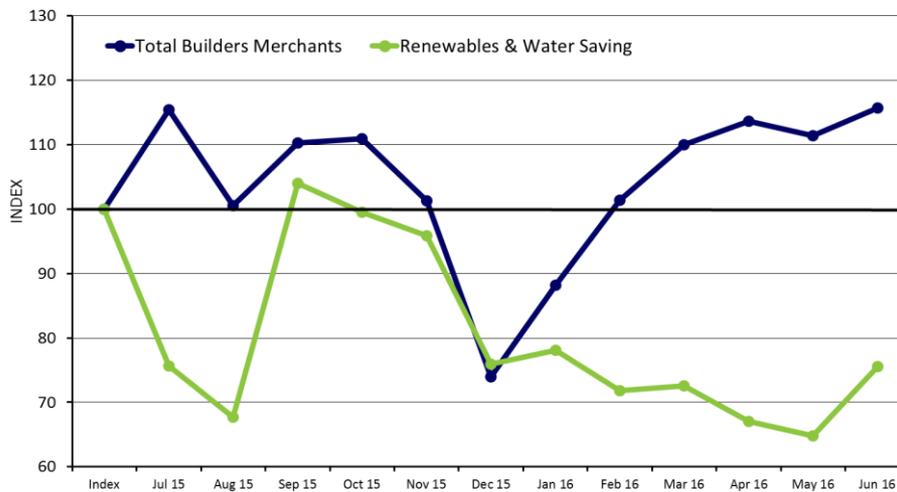
Quarterly chart indexed on July 2014 – June 2015

# Quarterly Report

## Q2 2016

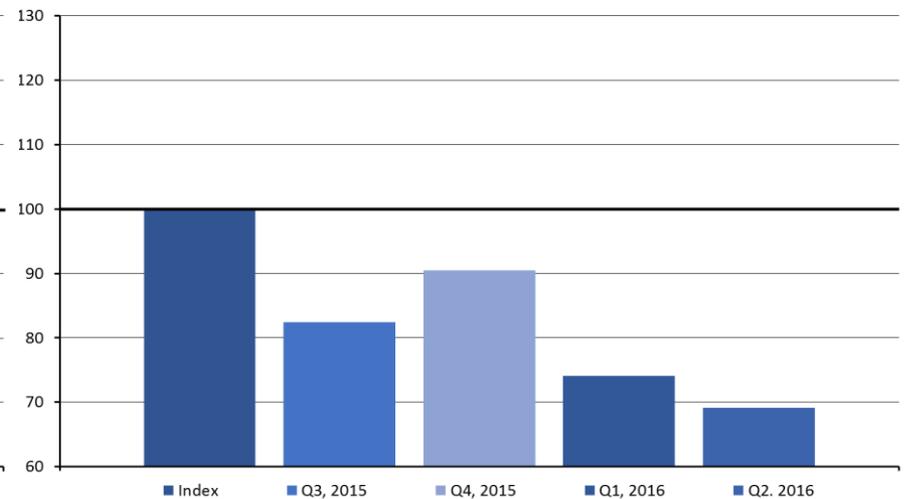


### Renewables & Water Saving



Monthly chart indexed on July 2014 – June 2015

### Renewables & Water Saving - Quarterly



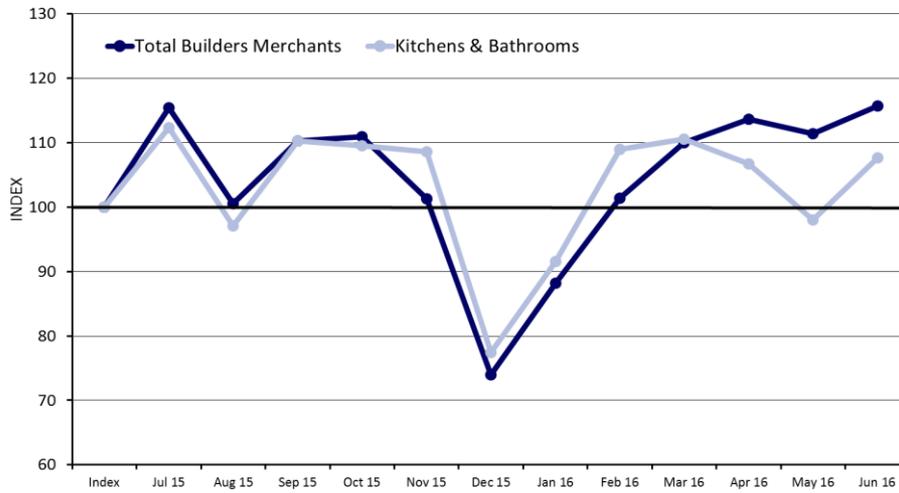
Quarterly chart indexed on July 2014 – June 2015

# Quarterly Report

## Q2 2016

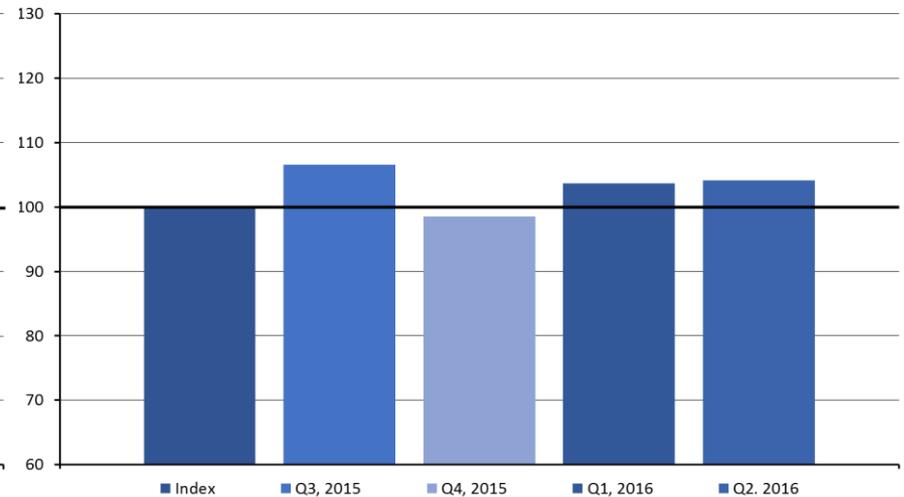


### Kitchens & Bathrooms



Monthly chart indexed on July 2014 – June 2015

### Kitchens & Bathrooms - Quarterly



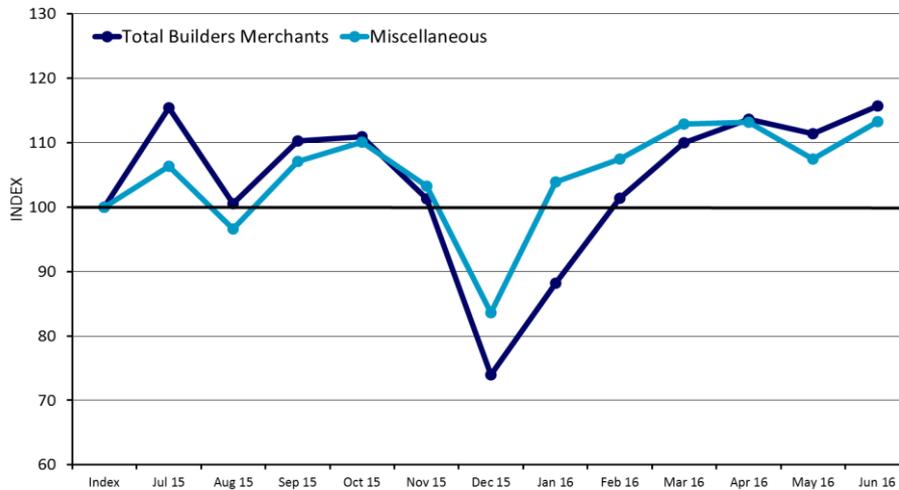
Quarterly chart indexed on July 2014 – June 2015

# Quarterly Report

## Q2 2016

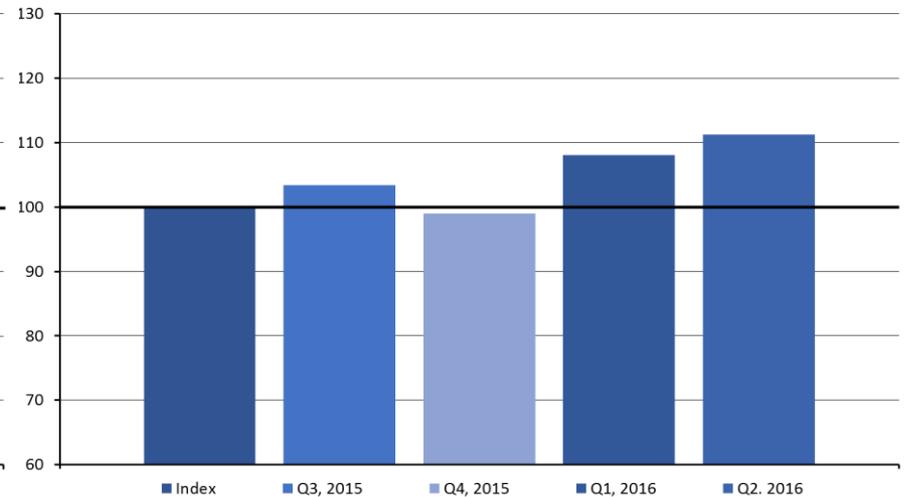


### Miscellaneous



Monthly chart indexed on July 2014 – June 2015

### Miscellaneous - Quarterly

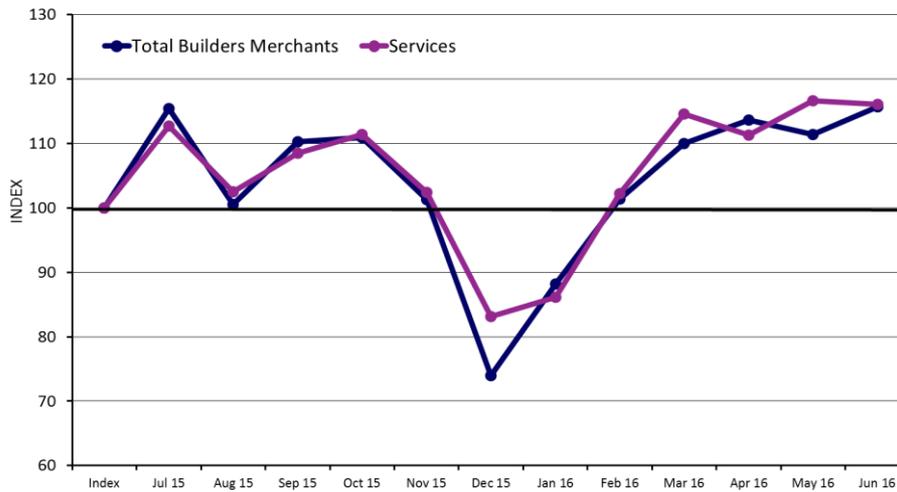


Quarterly chart indexed on July 2014 – June 2015

# Quarterly Report

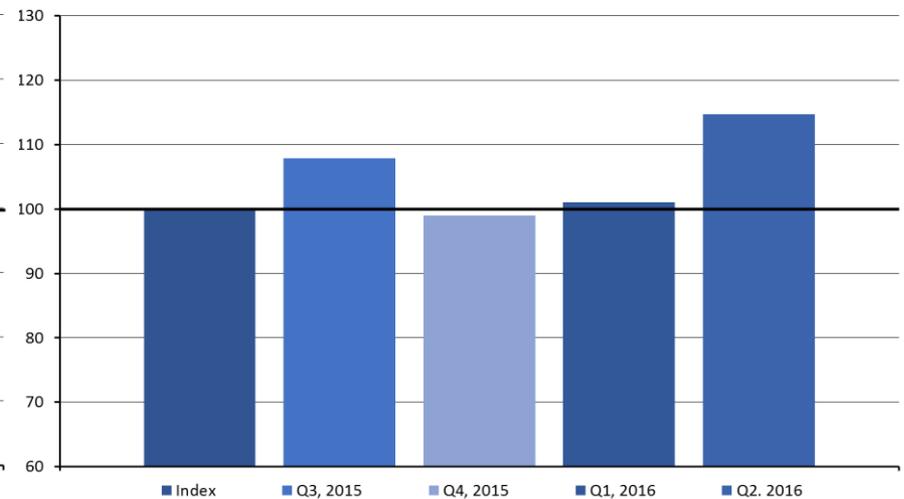
## Q2 2016

### Services



Monthly chart indexed on July 2014 – June 2015

### Services - Quarterly



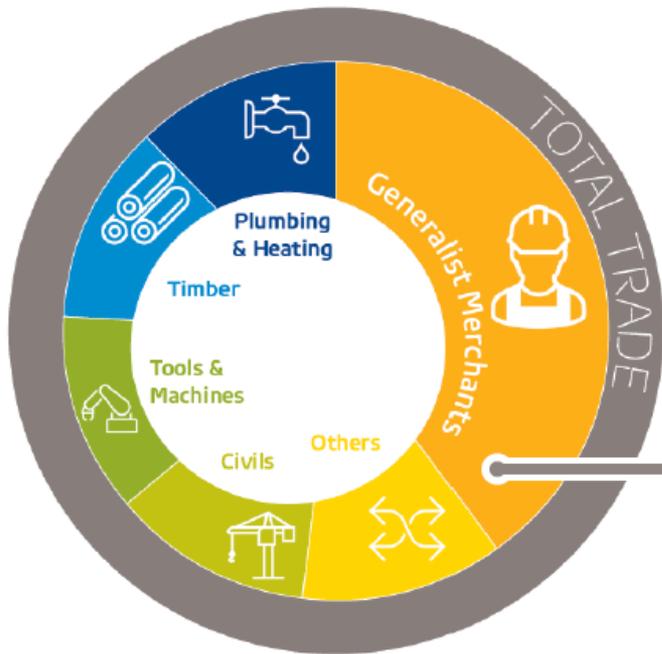
Quarterly chart indexed on July 2014 – June 2015

# GfK's Panel

## Generalists Builders Merchant Panel (GBMs)



### The Multiple Generalist Builders Merchants Channel



#### Generalist Builders Merchants

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

Multiple merchants are those defined as having more than 3 outlets or a turnover of greater than £3m p.a.

#### Examples include:

National	<b>BUILDBASE</b>
	<b>JEWSON</b>
	<b>TP Travis Perkins</b>
Multi Regional	<b>EH Smith</b>
	<b>MKM</b>
	<b>gibbs &amp; dandy</b>
Regional	<b>RIDGEONS</b> Timber & Builders Merchants
	<b>Bradford's</b> BUILDING SUPPLIES
	<b>COVERS</b> Timber & Builders Merchants

# GfK Insights Methodology



GfK collect live sales-out data from our panel of merchant partners.

We add value to that data through the application of each sold product's unique technical features. We compare like-for-like products and categories from like-for-like merchants and aggregate this within our reports.

Our international methodology is based on robust scientific principles and delivers continuous, reliable information that can be applied to your business requirements.

# GfK's Product Categories

Reports cover category headline values & in-depth, brand-level insights



## Headline values available

### Timber & Joinery Products

Timber  
Sheet Materials  
Cladding  
Flooring & Flooring Accessories  
Mouldings  
Stairs & Stairparts  
Window & Frames  
Doors/Door Frames

### Heavy Building Materials

Bricks Blocks & Damp Proofing  
Drainage/Civils/Guttering  
Lintels  
Cement/Aggregate/Cement Accs  
Concrete Mix/Products  
Plasters Plasterboards And Accessories  
Roofing Products  
Insulation  
Cement Mixers/Mixing Buckets Products  
Builders Metalwork  
Other Heavy Building Equipment/Material

### Decorating

Paint/Woodcare  
Paint Brushes Rollers & Pads  
Adhesives/Sealants/Fillers  
Tiles And Tiling Accessories  
Decoration Preparation & Decorating Sundries  
Wall Coverings

### Tools

Hand Tools  
Power Tools  
Power Tool Accessories  
Ladders & Access Equipment

### Workwear And Safetywear

Clothing  
Safety Equipment

### Ironmongery

Fixings And Fastenings  
Security  
Other Ironmongery

### Landscaping

Garden Walling/Paving  
Driveways/Block Paving/Kerbs  
Decorative Aggregates  
Fencing And Gates  
Decking  
Other Gardening Equipment

### Plumbing Heating & Electrical

Plumbing Equipment  
Boilers Tanks & Accessories  
Heating Equipment/Water Heaters/Temperature Control/Air Treatment  
Radiators And Accessories  
Electrical Equipment  
Lighting And Light Bulbs

### Renewables And Water Management

Water Saving  
Renewables & Ventilation

### Kitchens & Bathrooms

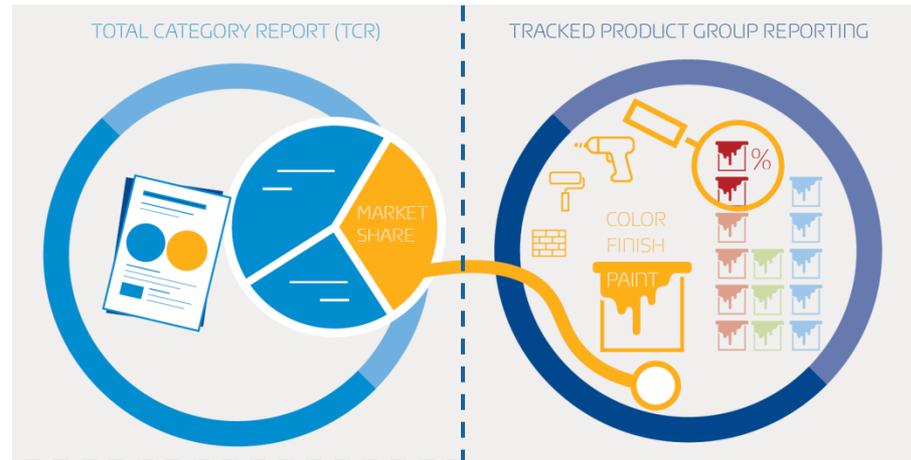
Bathroom (Including Showering)  
Fitted Kitchens  
Major Appliances

### Miscellaneous

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

### Services

Toolhire / Hire Services  
Other Services



## In-depth product group reporting

Monthly sales values, volumes, pricing analysis & distribution facts available by brand and key product features.

For insights on your product group please contact Pete Church at GfK ([pete.church@gfk.com](mailto:pete.church@gfk.com)).

### Available categories:

#### Heavyside

Bricks  
Insulation

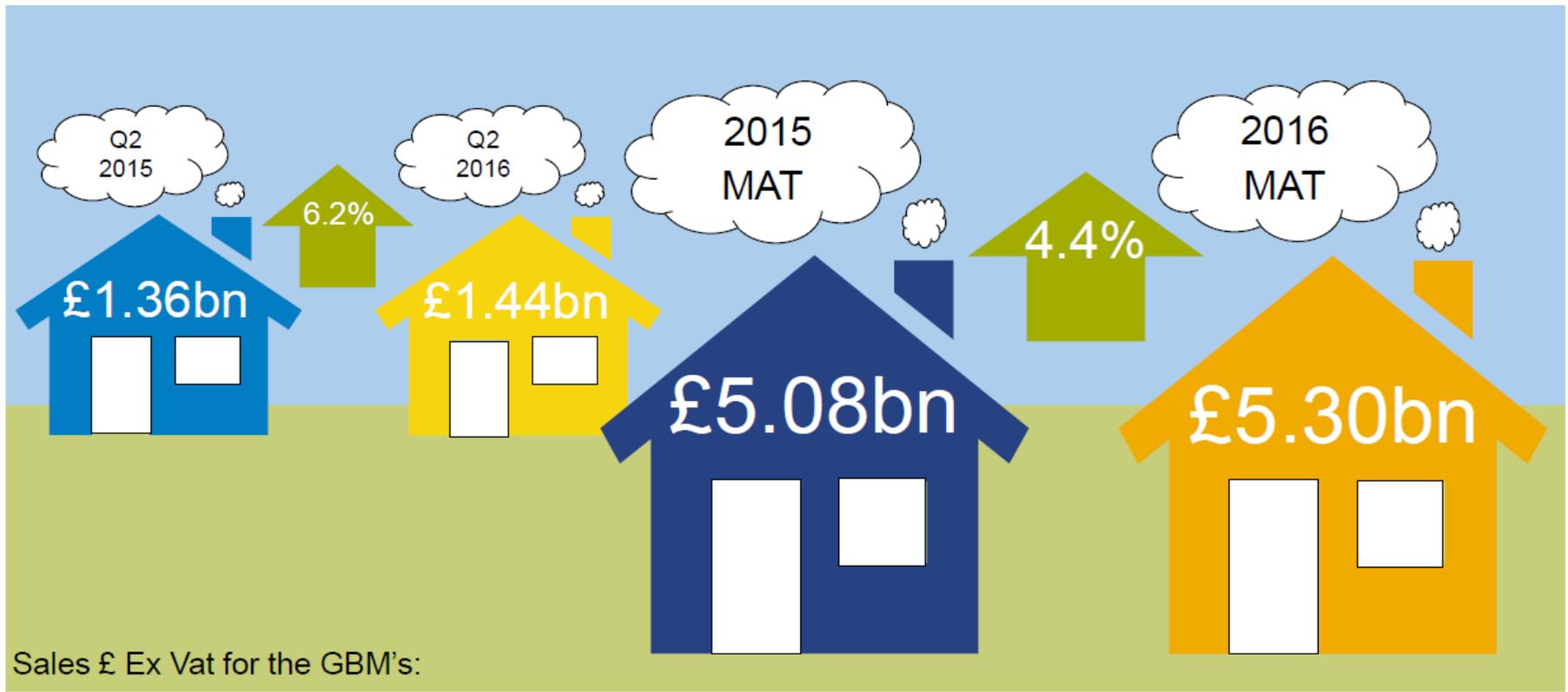
#### Lightside

Emulsion Paints (incl. Masonry & Base)  
Trim Paints  
Primers/Undercoats  
Woodcare  
Adhesives  
Sealants  
Fillers/PU Foam  
Tile Fixing (Adhesives/Grout)

# GfK Insights



The first Moving Annual Totals (MAT) show strong year on year growth to June 2016. How will this change in the coming months?



Sales £ Ex Vat for the GBM's:

Source: GfK's GBM TCR report. Data July 2014 to June 2016 showing £ ex Vat Value

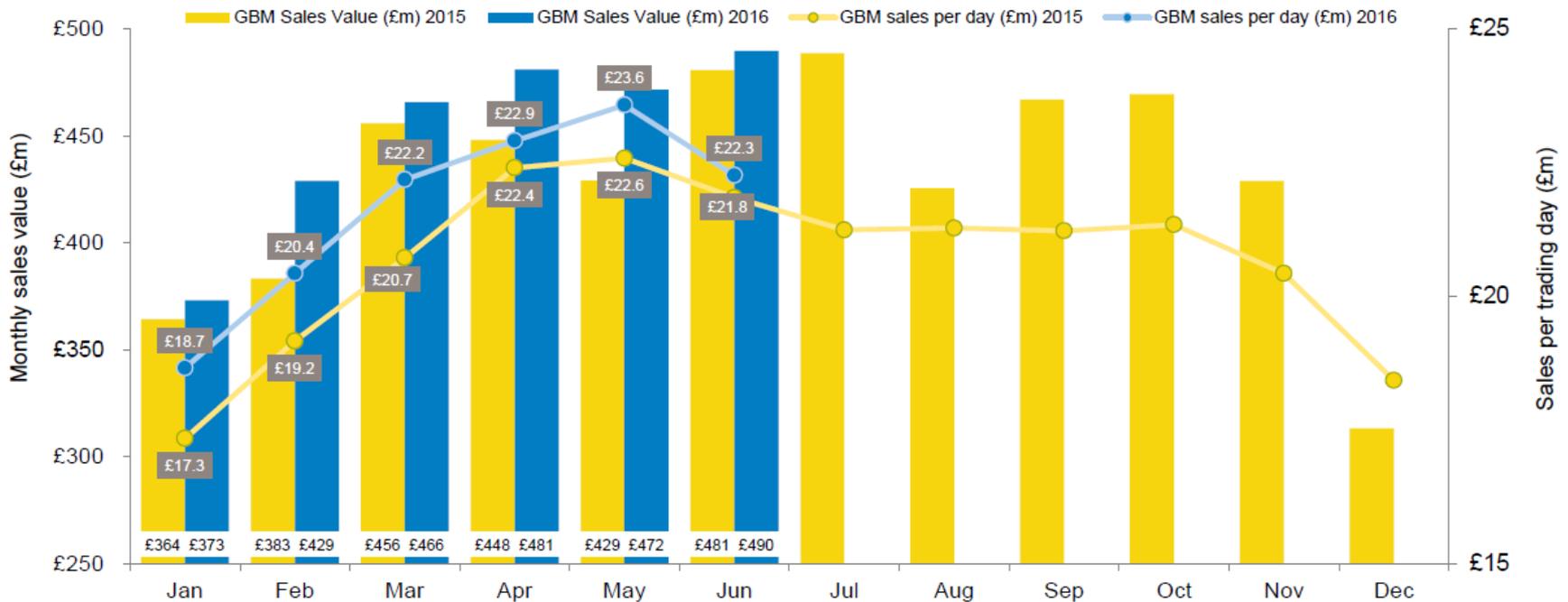
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# GfK Insights



Growth continues in each month YoY.

With building projects long lead time when do we expect to see any impact from Pre and Post Brexit's cautious investment warnings? Will low borrowing rates and housing demand maintain growth rates?



TRADING DAYS	JAN	FEB	MAR	Apr	May	June
2015	21	20	22	20	19	22
2016	20	21	21	21	20	22

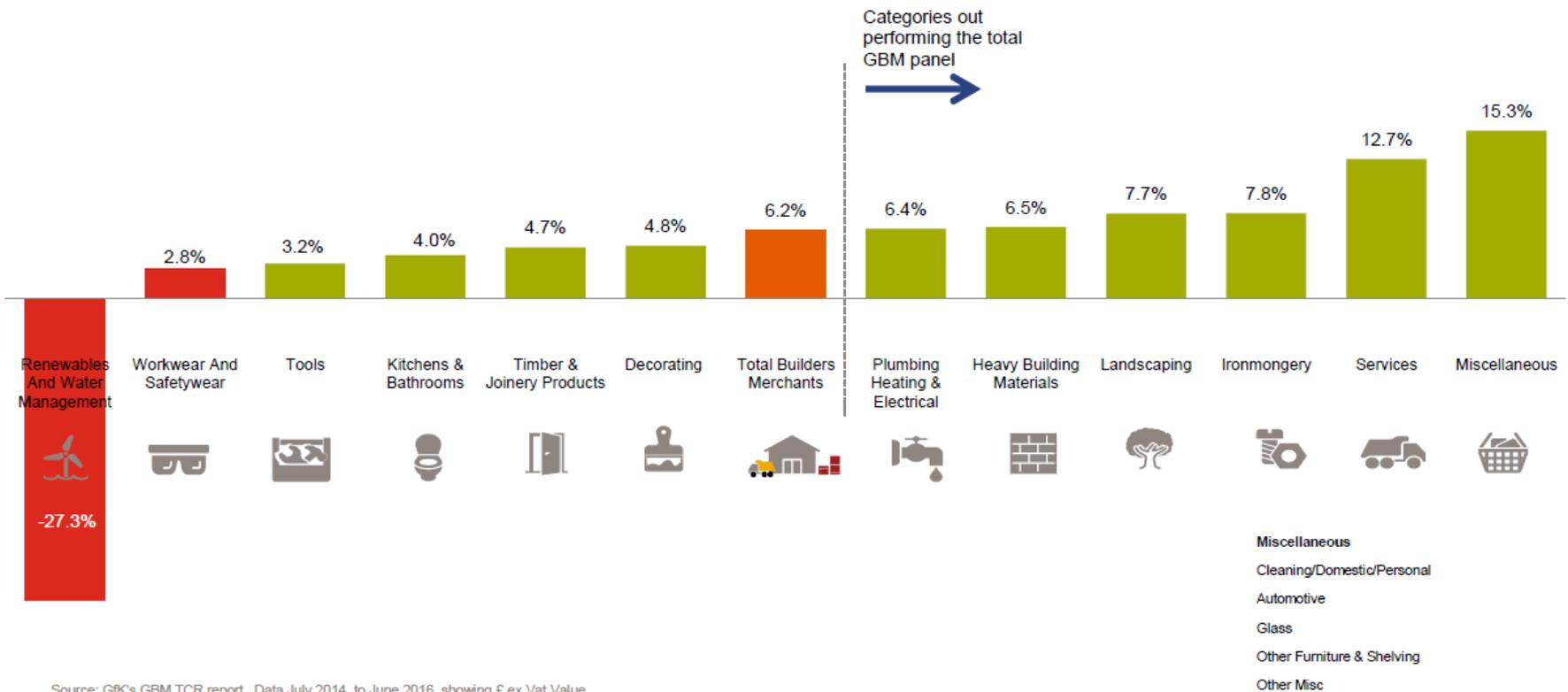
Source: GfK's GBM TCR report. Data July 2014 to June 2016 showing £ ex Vat Value

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# GfK Insights



Quarter 2 YoY sales growth in all categories except Renewables.  
Particularly strong in Ironmongery, Plumbing and Heating and Landscaping.



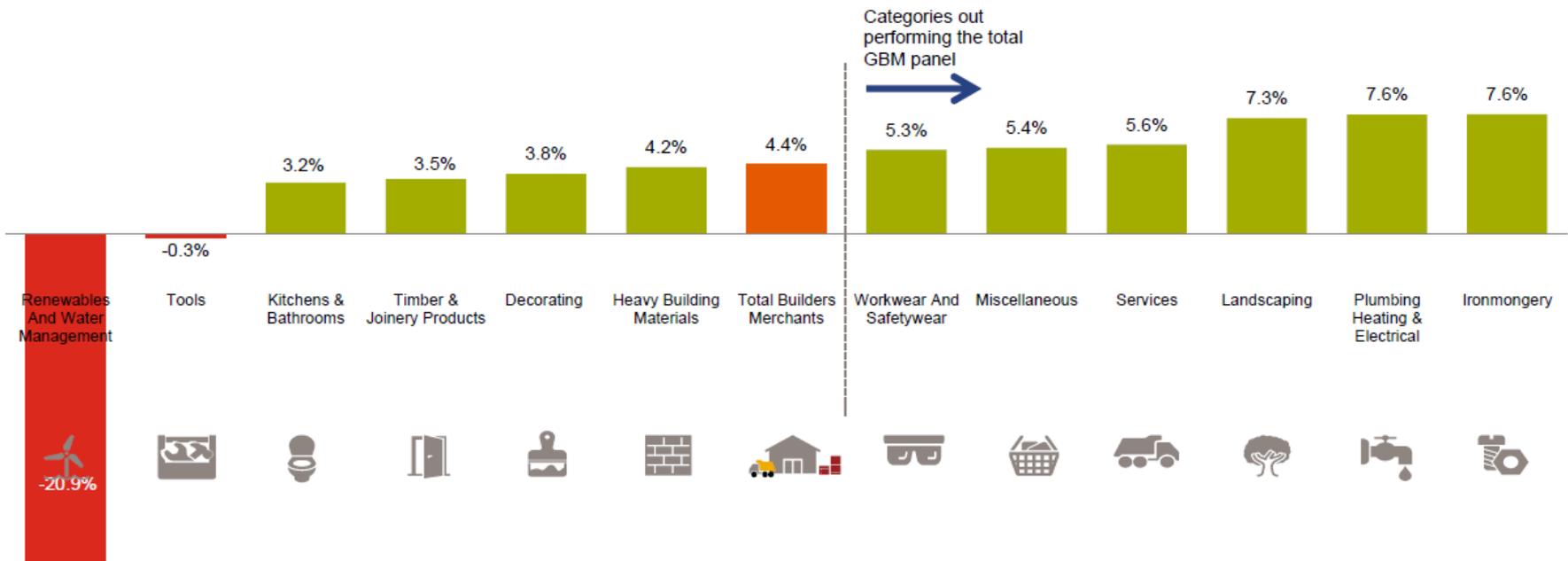
Source: GfK's GBM TCR report. Data July 2014 to June 2016 showing £ ex Vat Value

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# GfK Insights



The first MAT sales show growth YoY in all categories except Renewables. Particularly strong in Ironmongery, Plumbing and Heating and Landscaping.



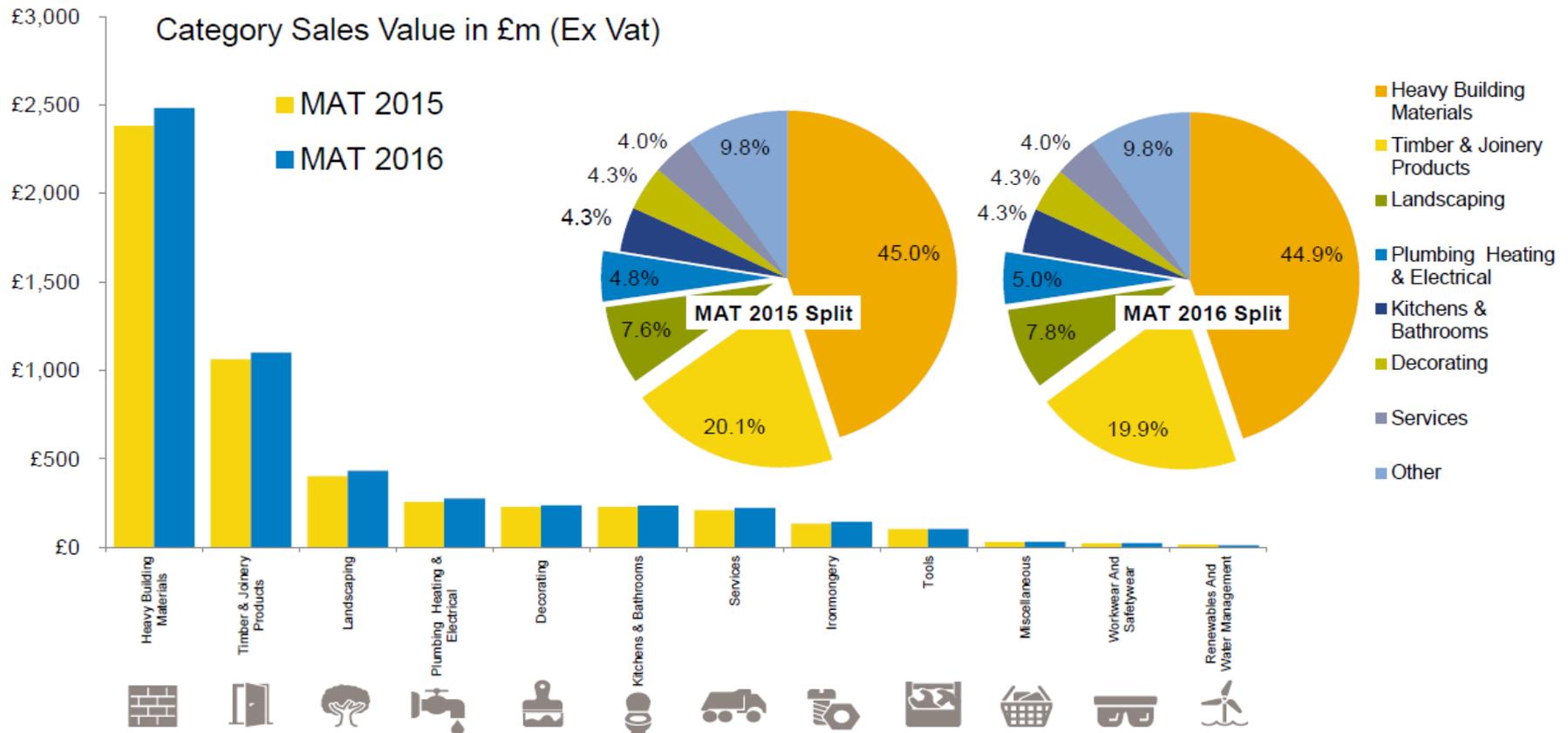
Source: GfK's GBM TCR report. Data July 2014 to June 2016 showing £ ex Vat Value

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# GfK Insights



Total GBM sales value by Category showing consistency of results YoY



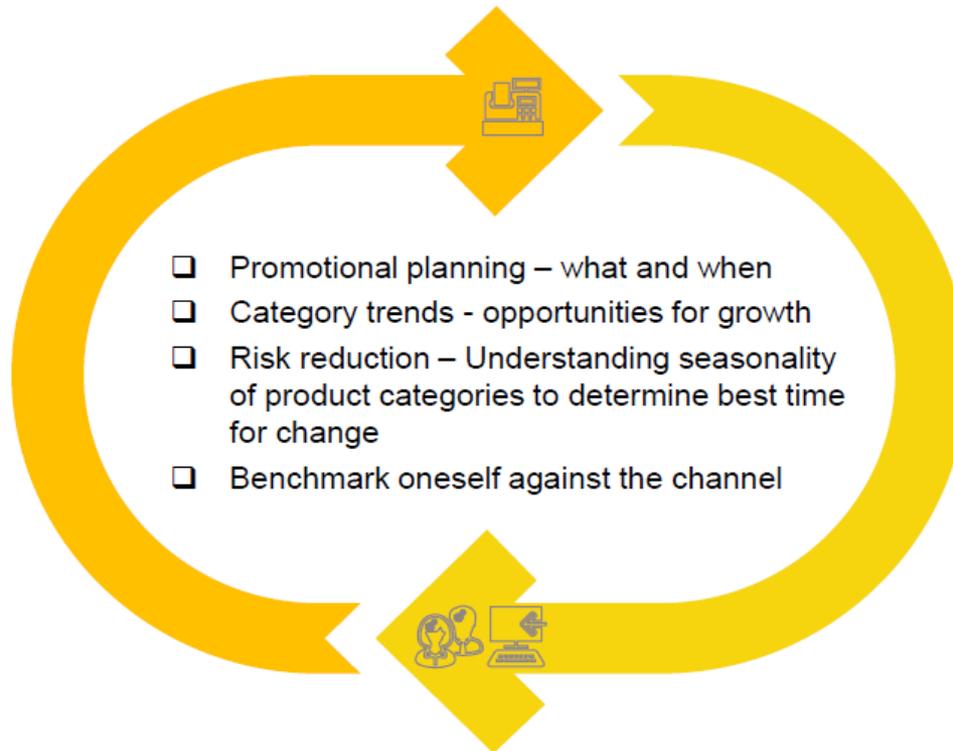
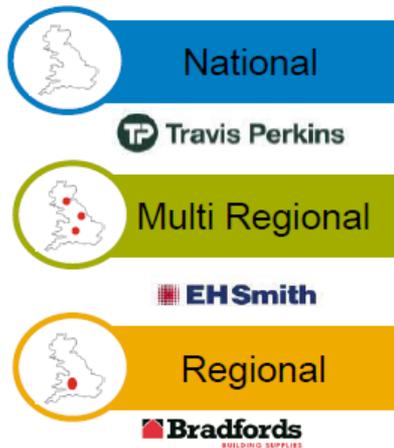
Source: GfK's GBM TCR report. Data July 2014 to June 2016 showing £ ex Vat Value

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# GfK Insights



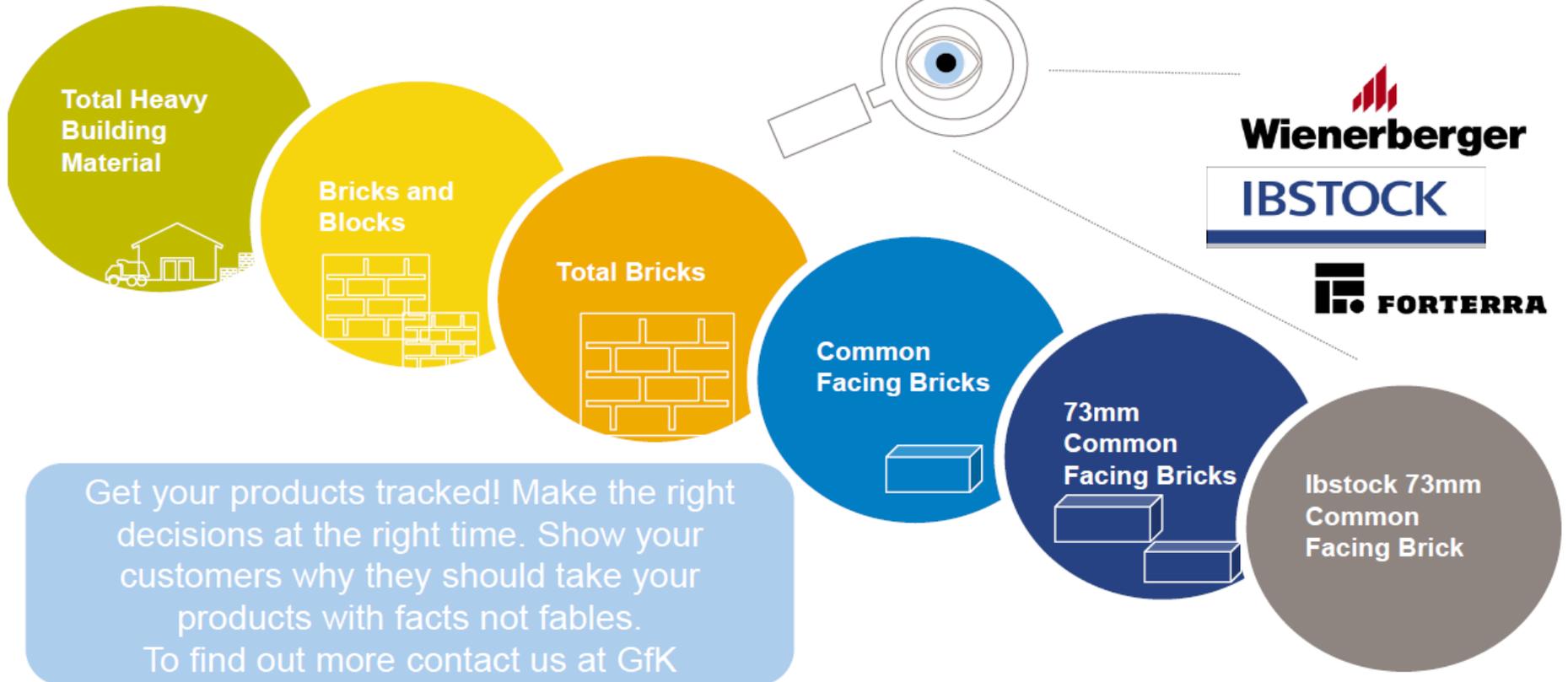
How can these top level insights help.



# GfK Insights



Bricks Product Group insights at feature by brand level are now available! Enabling informed strategic and tactical decision making.



# Macro factors impacting Merchants



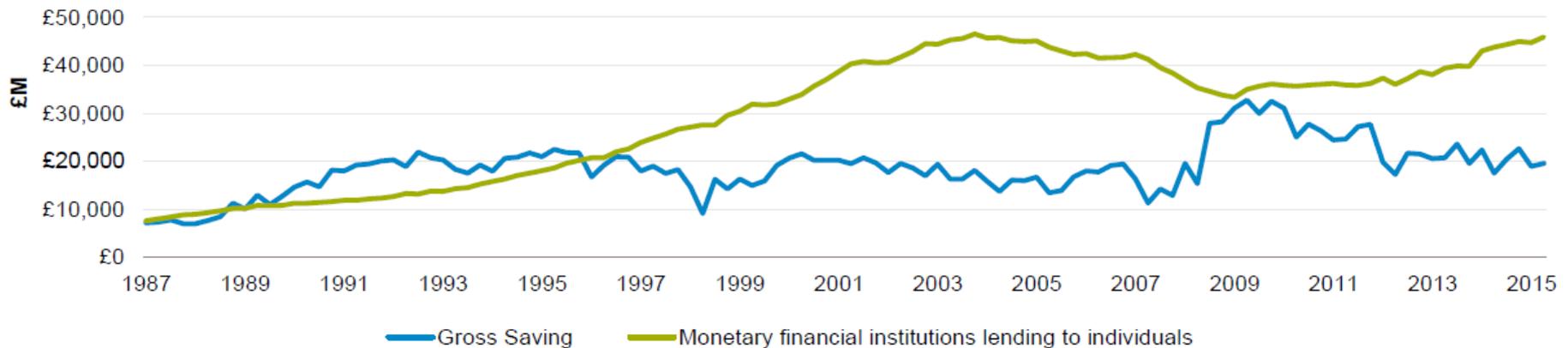
## Comparing borrowing to saving

Quarterly savings (household) and quarterly unsecured gross lending (individuals)

- While borrowing has always outpaced saving, between 1997 and 2005 a large disparity developed
- This disparity is occurring again as we enter 2016

- Saving reached a low as fear of bank losses peaked, then grew as fear of unstable spending conditions peaked.
- Over recent years, the gap between borrowing and saving is once again beginning to widen as lendings outstrip savings.

- Lending to individuals increased 4.9% in Q1 2016 compared to the same quarter in the previous year.
- Q1 2016 Savings increased by 11.4% compared to Q1 2015



Source: Office for National Statistics

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# Macro factors impacting Merchants

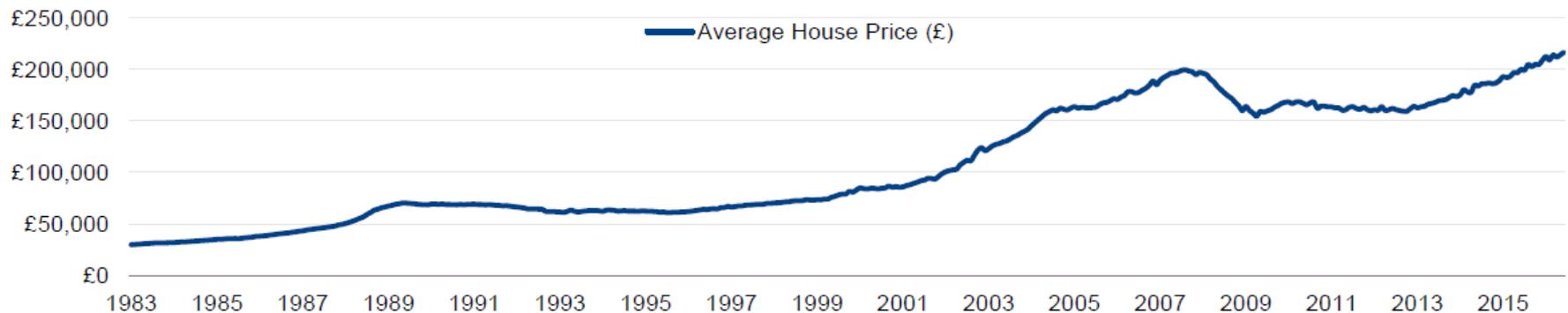


## Standardised average house prices

Average Price (year end)		
1995	£62,374	-10%
2000	£84,868	+36%
2005	£163,139	+92%
2010	£168,390	+3%
2013	£174,220	+3%
2014	£189,426	+8%
2015	£208,286	+10%

▪ Housing demand continues to be supported by an economic recovery that is gathering pace, with employment levels growing and rising consumer confidence, although real earnings growth remains sluggish

▪ At the end of June 2016, the average house price in the UK was £216,823. An increase of 1.3% on the previous month  
 ▪ The annual rate of house price growth fell to 8.4% the lowest level for 11 months



Source: Lloyds Banking Group plc

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# Macro factors impacting Merchants



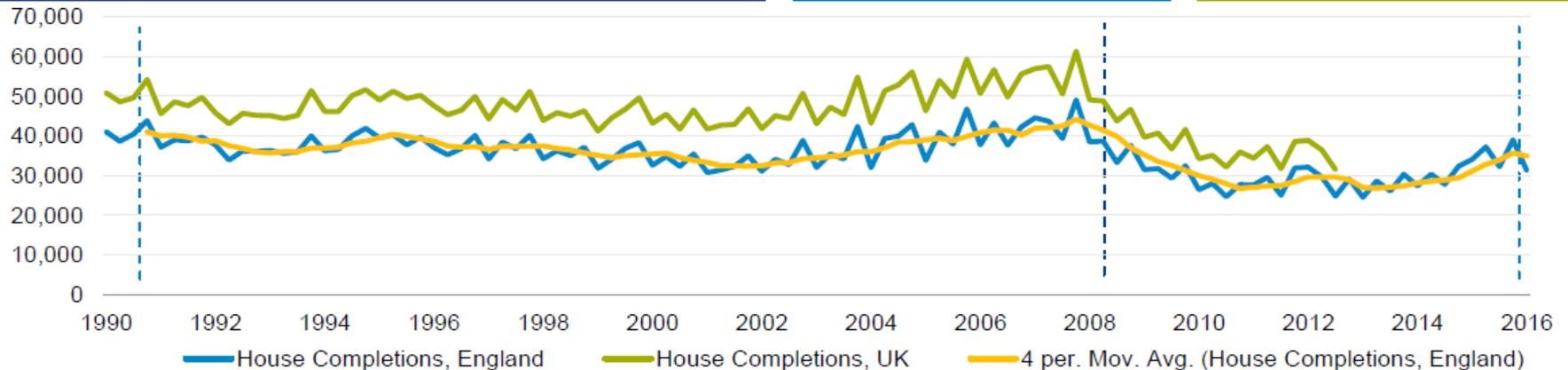
## New house builds

Quarterly

▪ Home construction dropped off from the 2007 high, with a large number of construction firms leaving the market. As a result we are now seeing housing price uplifts, as the supply of affordable housing is not meeting current demand

▪ Looking at a 4 period moving average, the recent trend of continued growth may be beginning to end in 2016

▪ In Q1 2016, 31,240 permanent dwellings were completed, compared to a Q1 2015 figures of 34,110 (-8.4%)



Source: GOV.UK

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# Macro factors impacting Merchants



Brexit causes dramatic 11-point drop in consumer confidence to -12



Source: GfK Consumer Confidence Barometer on behalf of the European Commission (July 2016)

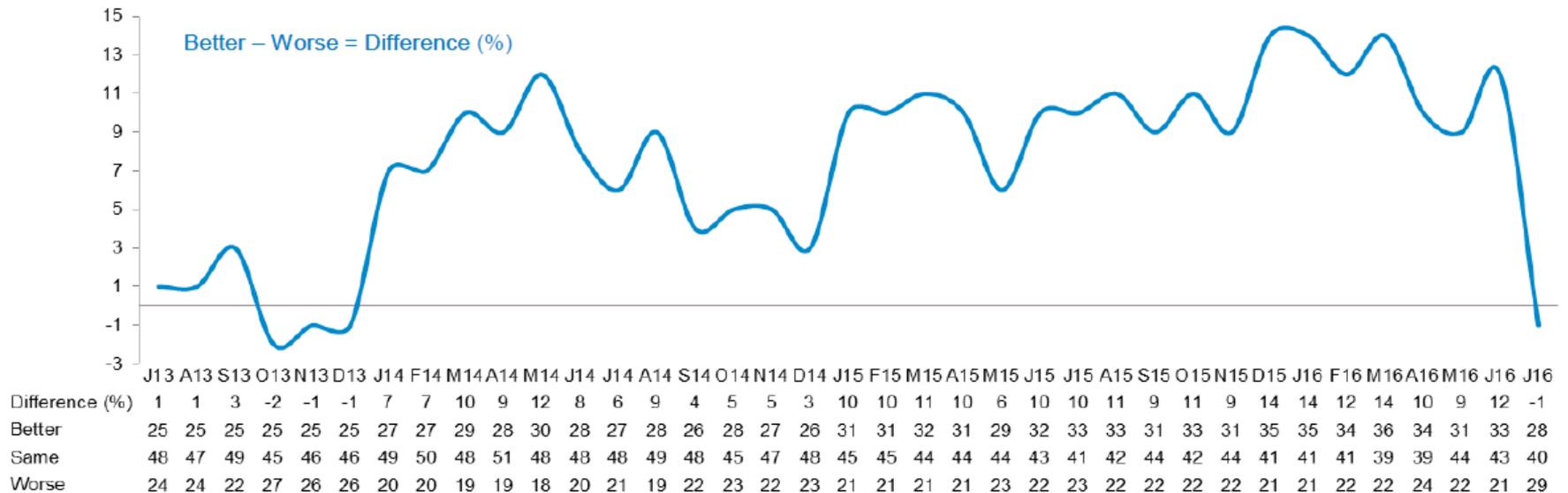
# Macro factors impacting Merchants



## Consumer Confidence Barometer



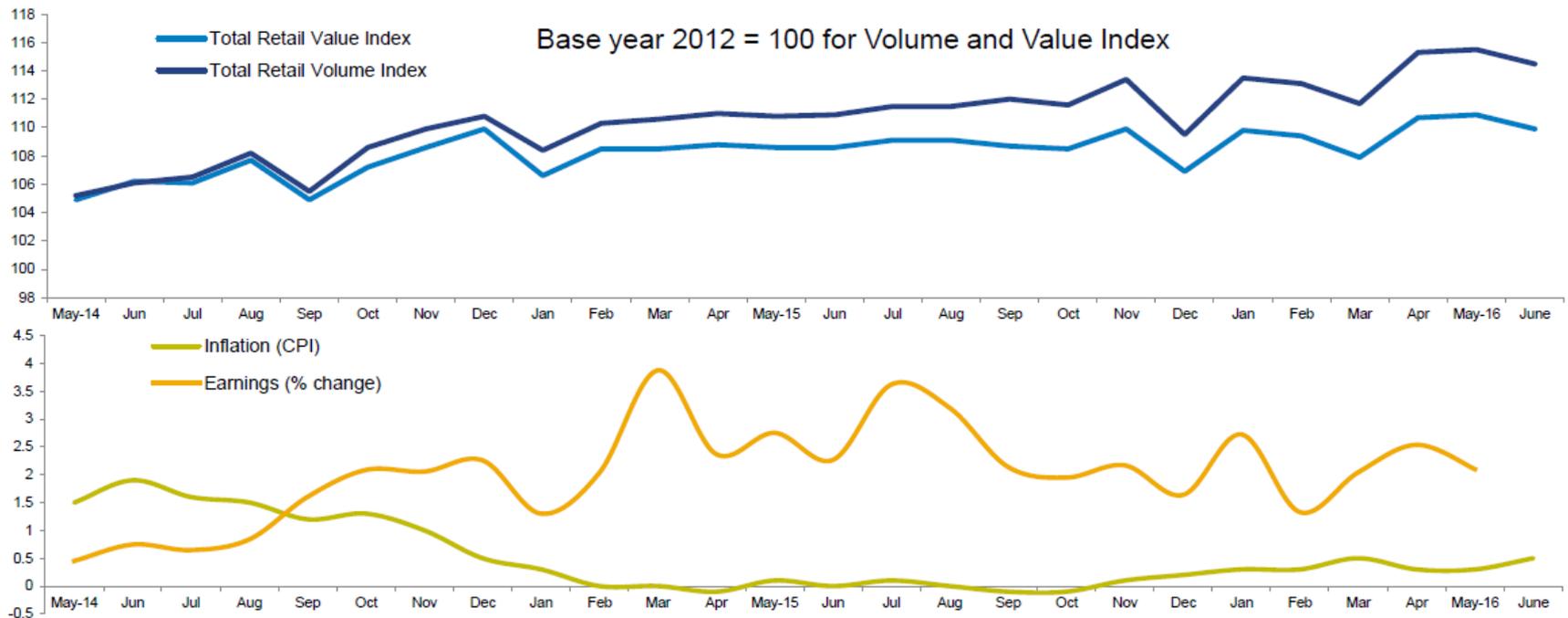
How do you think your household's financial position will change over the next twelve months?



# Macro factors impacting Merchants



Wage Inflation in decline, Inflation growing, continued gap between Volume and Value within the Retail Index showing price pressures. Will the recent cut in Interest Rates maintain demand? Quarter 3 will give the best indications.



How will this effect building projects?

Source: Office for National Statistics Retail Index

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# Contact Us

For further information



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