

“one **industry**
one **voice**”

Builders Merchant Building Index



Quarter 2 2017

Building the Industry & Building Brands from Knowledge



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Introduction

John Newcomb, CEO BMF



This Builders Merchant Building Index (BMBI) report contains data from GfK's ground-breaking Builders Merchants Panel, which analyses data from over 80% of generalist builders' merchants' sales throughout Great Britain. GfK's Builders Merchant Point of Sale Tracking Data sets a gold standard in reliable market trends. Unlike data from sources based on estimates, or sales from suppliers to the supply chain, this up-to-date data is based on actual sales from merchants to builders and other trades.

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

MRA Marketing produces the Builders Merchant Building Index, a brand of the BMF, to communicate to the wider market as the voice of the industry as well as the voice of individual Expert Brands: Crystal Direct, Keylite Roof Windows, Timbmet, Alumasc Water Management Solutions, Hanson Cement, IKO PLC, Keystone Lintels, Knauf Insulation, Encon Insulation, Ibstock, Natural Paving Products and Heatrae Sadia, who provide valuable commentary on market trends and influences.

Three years of BMBI

This month marks three years since GfK started collecting the data that powers the Builders Merchant Building Index (BMBI). The growing volume of information adds authority and perspective to the trend data. This report provides valuable top-level indices but there's considerably more data available. GfK insights go much deeper and include sales value data. GfK can quantify market values and drill down into contributing categories, tracing product group performance, to focus on aspects that are critical to you.

GfK can also produce robust like-for-like market comparability tailored to the requirements of an individual business. As more merchants join to submit their monthly sales-out data the quality of this information can only become more extensive and rigorous. Merchants or suppliers who are interested in acquiring data or getting involved should contact Richard Frankcom richard.frankcom@gfk.com

The BMBI website enables you to compare Landscaping trends with Heavy Building Materials, or Kitchens with Timber on our interactive charts.

Download the latest report, read the news or search through comments or blogs at www.bmbi.co.uk. Follow us and the Experts [@theBMBI](https://twitter.com/theBMBI).

Overview and Insights

Richard Frankcom, Senior Account Manager GfK



Value growth continues for the Merchants in the second quarter but with Consumer Confidence falling will the growth continue?

The BMBI report shows strong value growth in the first half of 2017, up 3.8% year on year. Quarter 2 has slowed compared to Quarter 1 in absolute terms but the timing of Easter shifted the bank holiday closings into the second quarter affecting the quarter on quarter positions. For this reason reviewing the year to date provides the clearest indication of market performance. Value growth year on year for the first half of 2017 was driven by the major categories of Timber and Joinery (+4.6% - particularly Cladding and Stairs and Stair Parts) and Heavy Building Materials (+4.1% - primarily Lintels, Roofing Products and Bricks and Blocks). Only Services and Work and Safety Wear have shown decline.

With low interest rates and property value growth slowing but still in positive territory, renovation and improvements on the home remain good long term investments for UK homeowners. The UK's demand for new homes and vocal government backing give plenty of reasons to be positive, however, we also see a number of reasons to be cautious.

Firstly, GfK's Consumer Confidence Index, down two points in July to -12, the same level seen after the Brexit vote suggests consumers' sentiment is weakening and if we look at the questions relating to planned major home improvement projects and planned moving/house building they both show significant declines on the previous quarter¹.

Secondly, borrowing continues to grow while savings rates have dropped, down 70% in Q1 year on year². The Consumer Price Index surprisingly declined in June, dropping back to 2.6% and reducing the short term likelihood of a rate rise². However this rate still outstrips wage inflation continuing to negatively impact consumers. With home improvement projects funded through savings or loans, this erosion of savings will only add to the reliance on borrowing.

September will offer us further insight, with the delivery of the Planning Applications data for the second quarter of 2017³. Will we see this decline in consumer confidence shift into these planning application numbers, later releases or at all?

Sources:

1. GfK Consumer Confidence Index July 2017 - "Are you planning to purchase or build a new home over the next 2 years..." and "How likely are you to spend large sums of money over the next 12 months on home improvements..."
2. ONS June 2017
3. Department for Communities and Local Government - Planning applications in England: January to March 2017 - Published 15 June 2017

"...strong value growth in the first half of 2017, up 3.8% year on year."

"...we also see a number of reasons to be cautious."

Merchants' View

John Newcomb, CEO BMF



Over the summer we have seen conflicting speculation in both the national and trade press on the general state of the economy and how the construction industry is faring.

The sales figures recorded for Q2 in the BMFI tell a very positive story. Whereas the initial Office of National Statistics (ONS) Q2 results are far more circumspect, noting an overall fall in construction output, down by -1.3% since Q1.

Initial ONS data is often revised as more information becomes available. On the other hand, it may not be too much at odds with the BMFI and other industry indicators. Most of the other major trade association Q2 reports – including CPA, FMB and NFB – found that order books are being sustained by private housing and RMI work – the mainstay of many a merchant's business – while commercial sectors are falling behind. Even the relatively gloomy ONS statistics reported a 5.1% increase in private housing for June over May.

Having spent much of August on the road visiting 20 or so BMF members in the SW and NE of England and in Scotland, I think the merchant sector can best be described as resilient. I found striking similarities across all the merchants I spoke to. Every one of them reported sales growth through the first half of the year – even those in parts of the country affected by adverse weather conditions in the early summer months.

However, whilst these regional merchants have seen little evidence of a slow down in overall sales they are also reporting more price increases, an inevitable result of the falling exchange rate, and shortages in certain product areas.

To date 2017 has been a positive year for merchants but, with Brexit looming, it would be foolish not to consider the possibility of tougher trading conditions as we move into 2018.

“...whilst regional merchants have seen little evidence of a slow down in overall sales they are also reporting more price increases, an inevitable result of the falling exchange rate, and shortages in certain product areas.”

Monthly: Index and Categories

June 2016* – June 2017

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



VALUE EX VAT £	Index	2016							2017					
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Total Builders Merchants	100	115.7	111.1	113.7	113.8	112.3	113.6	77.1	94.7	100.5	122.8	106.7	121.1	120.2
Timber & Joinery Products	100	112.1	107.8	112.2	113.3	112.8	113.7	76.1	99.1	100.9	121.2	102.9	117.1	116.7
Heavy Building Materials	100	116.2	111.9	114.4	114.6	113.4	114.1	77.0	94.0	100.1	123.0	106.9	122.5	121.2
Decorating	100	108.1	107.8	112.5	109.8	108.3	110.4	76.3	92.8	97.0	115.6	98.8	111.0	111.8
Tools	100	104.0	101.5	102.4	104.6	106.5	111.3	74.8	97.6	101.7	120.7	97.2	107.0	109.9
Workwear & Safetywear	100	107.6	98.5	98.6	101.0	110.9	133.2	72.6	109.5	102.7	114.1	85.1	101.4	99.4
Ironmongery	100	112.8	111.0	115.8	119.8	118.0	119.9	84.6	107.5	109.4	129.2	107.5	121.6	124.5
Landscaping	100	144.7	132.0	129.2	119.9	110.2	97.2	62.4	71.0	87.7	129.5	138.1	153.1	146.9
Plumbing, Heating & Electrical	100	103.3	100.5	103.6	111.7	116.0	132.4	94.0	114.9	116.1	128.7	98.3	109.7	110.0
Renewables & Water Saving	100	75.5	63.7	63.1	72.8	61.2	73.4	42.4	68.1	76.2	90.3	68.2	70.2	69.9
Kitchens & Bathrooms	100	107.6	101.7	105.3	111.4	109.4	121.7	83.8	98.1	110.2	123.6	99.3	111.3	118.3
Miscellaneous	100	113.3	115.3	114.5	115.7	113.6	122.2	92.6	113.2	108.8	124.4	103.4	120.5	113.7
Services	100	116.1	115.5	115.2	111.1	108.3	107.1	81.3	87.8	95.0	115.0	100.6	112.4	109.7

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

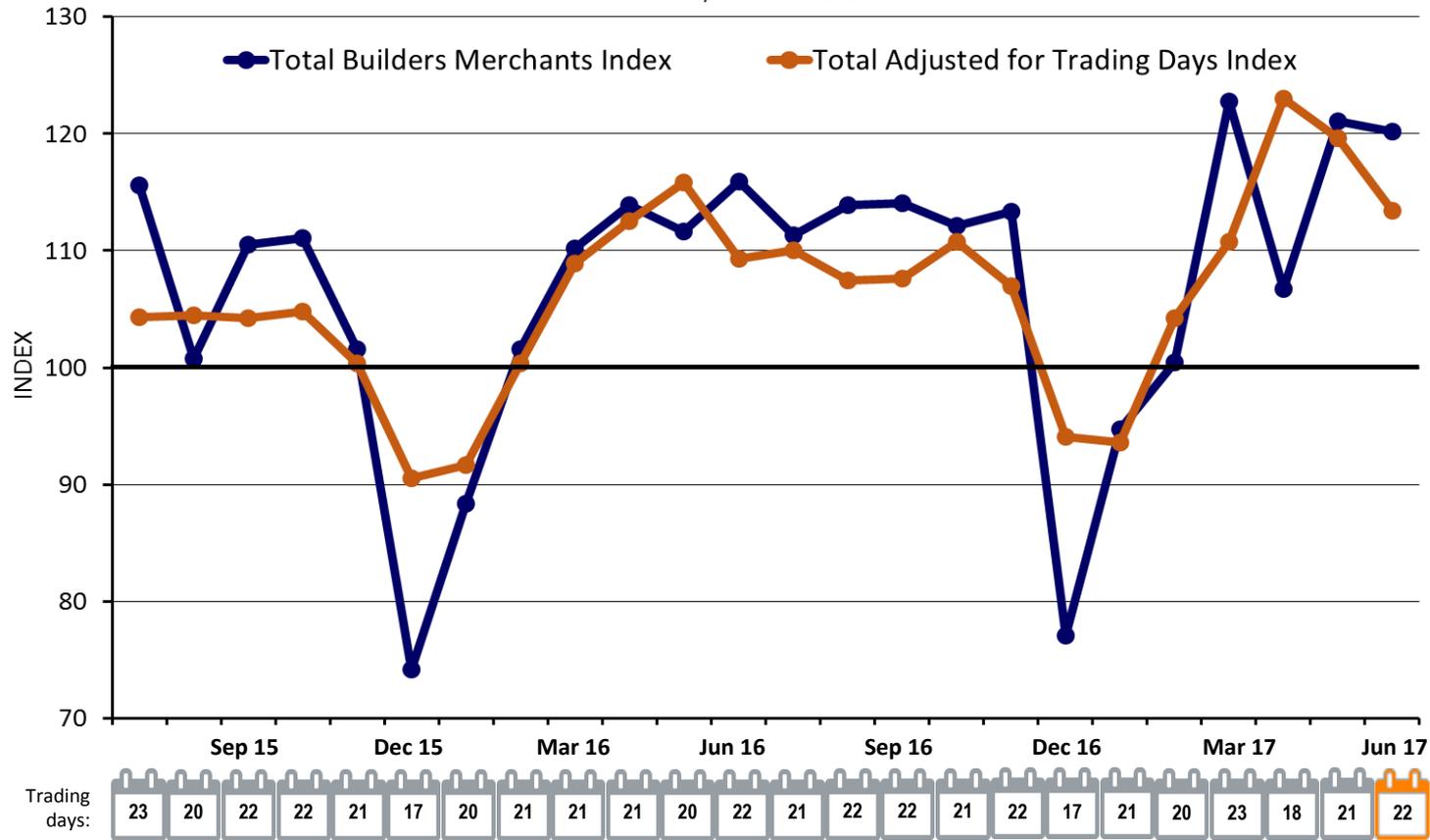

 Source: GfK's
 Builders Merchants
 Total Category Report
 July 2015 to June 2017

Monthly: Index

Adjusted and unadjusted for trading days

Total Builders Merchants Index v Total Adjusted for Trading Days Index

Indexed on July 2014 - June 2015



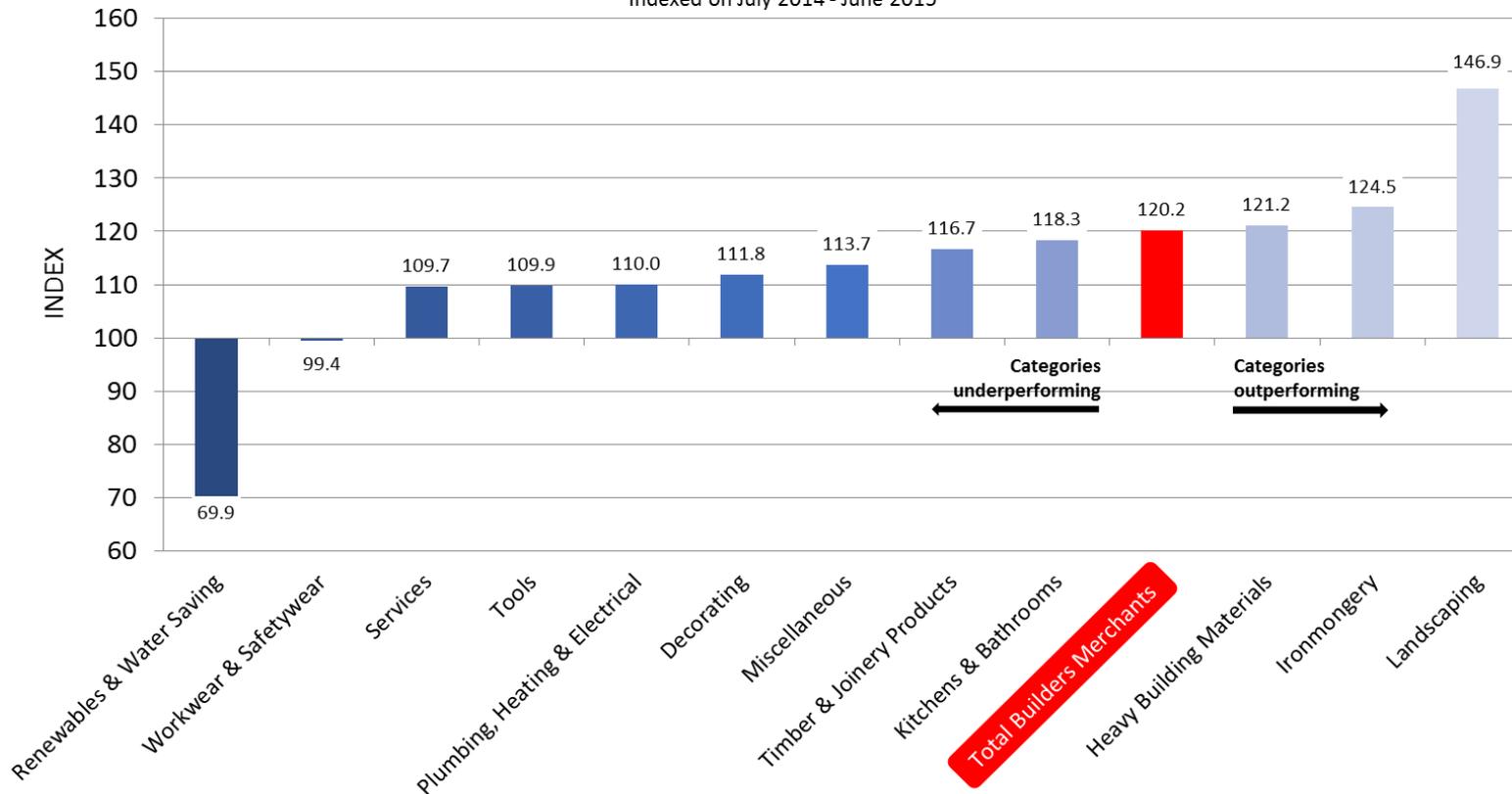
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to June 2017

Monthly: Index and Categories

June 2017 index

June 2017 Index

Indexed on July 2014 - June 2015



 Source: GfK's Builders Merchants Total Category Report July 2015 to June 2017

Monthly: Index and Categories

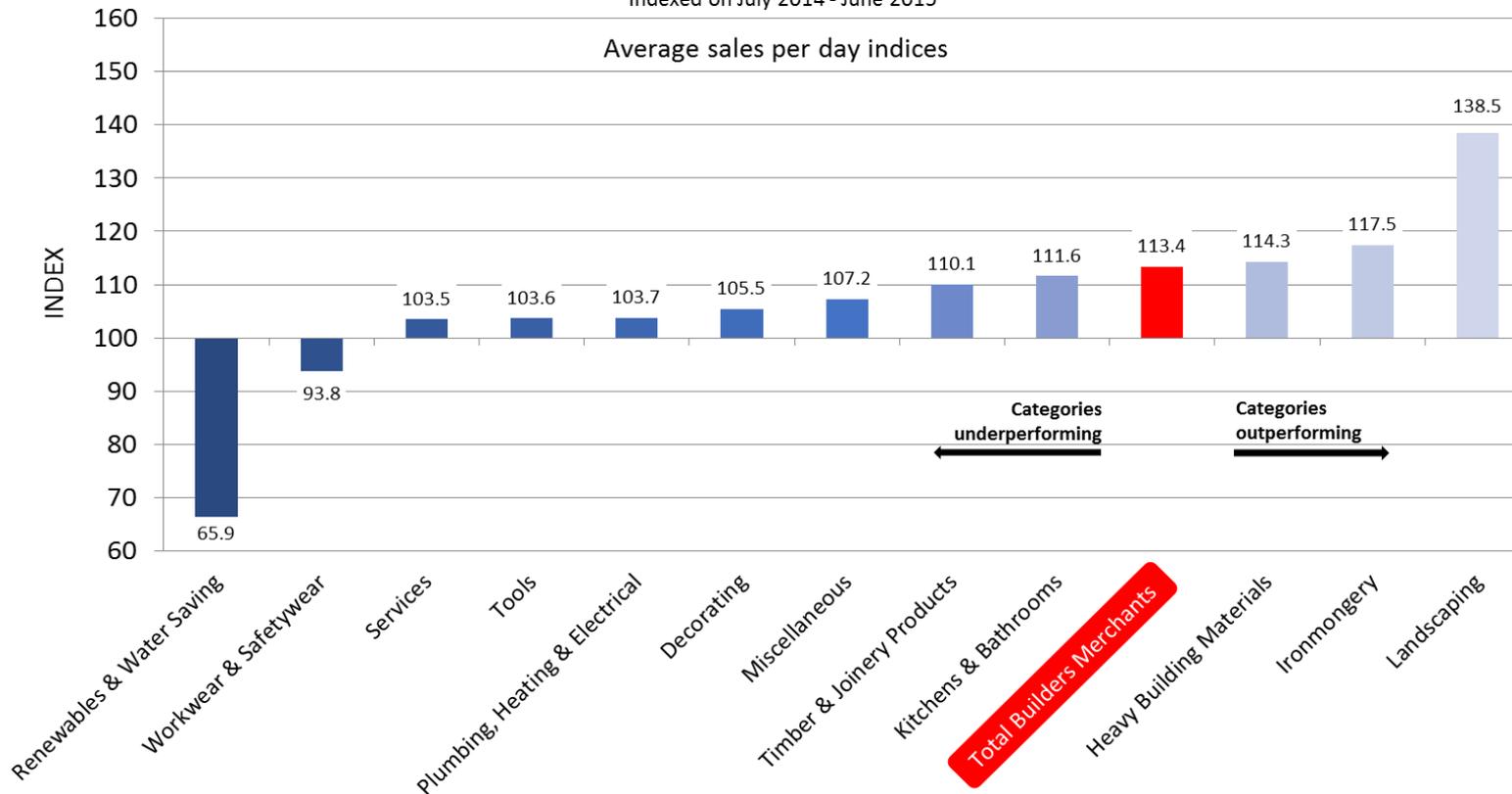
June 2017 index

average sales per day

June 2017 Index

Indexed on July 2014 - June 2015

Average sales per day indices

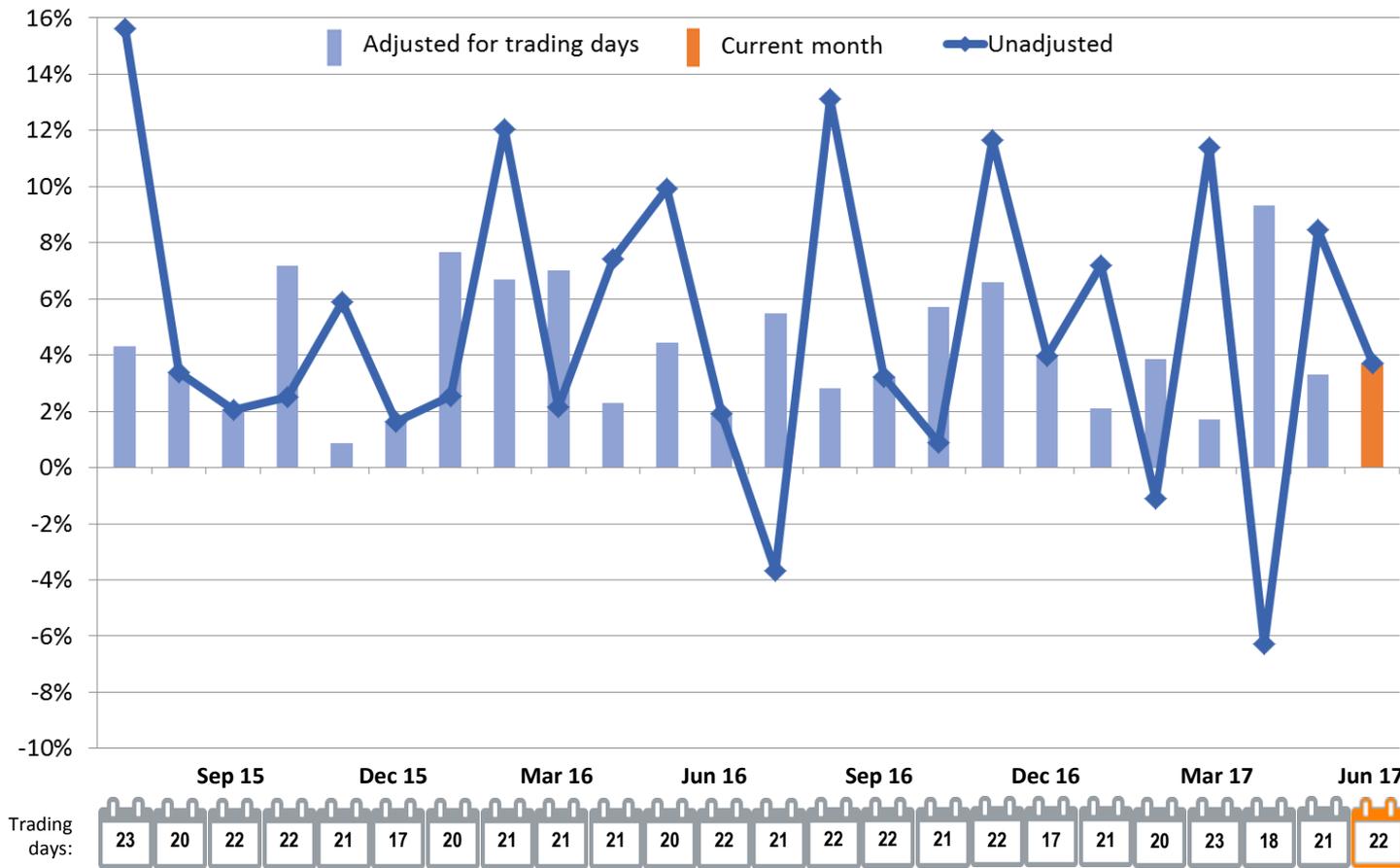


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to June 2017

Monthly: Sales Indices

Adjusted and unadjusted for trading days

Monthly: Year on Year



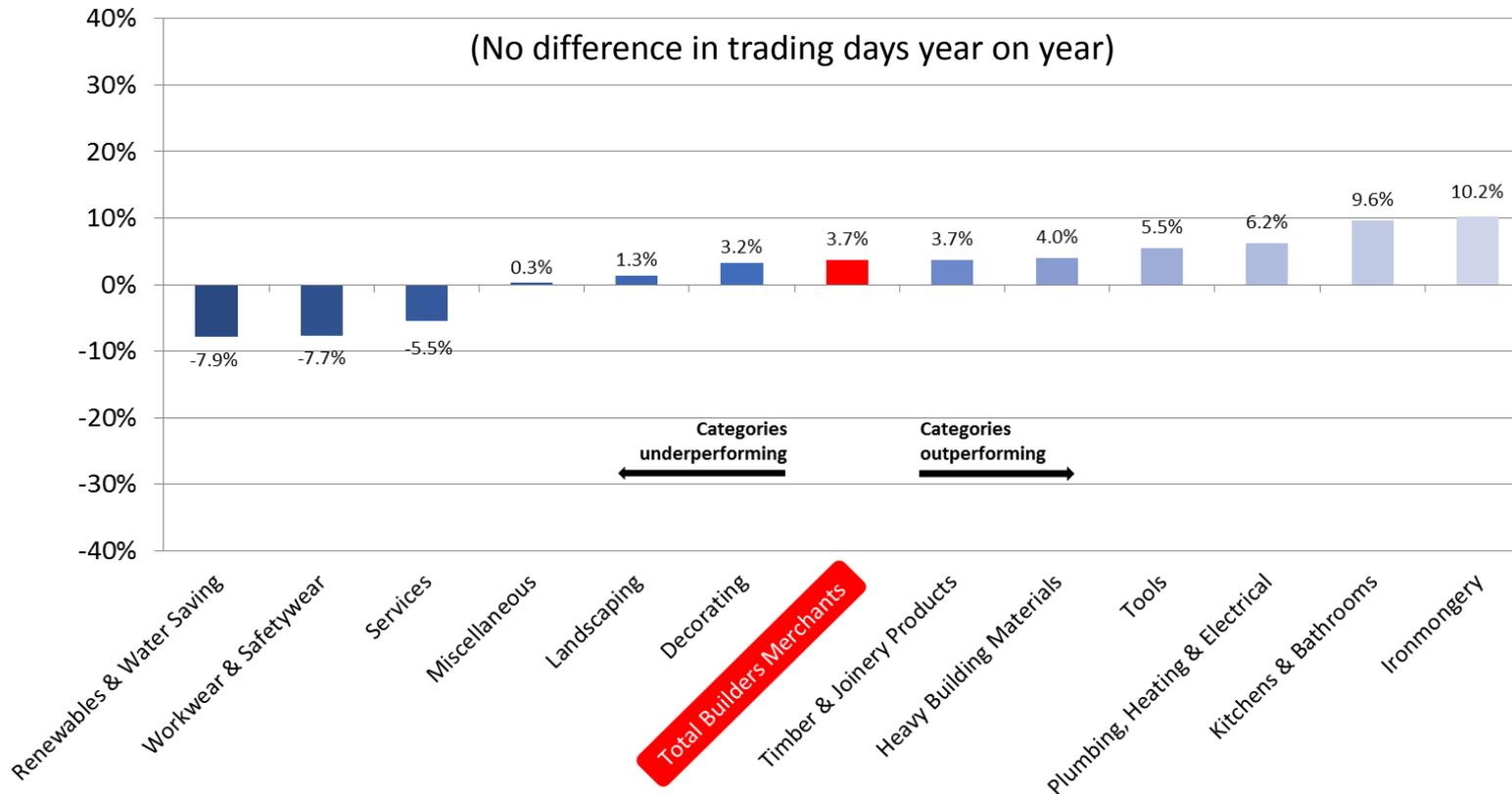
 Source: GfK's Builders Merchants Total Category Report July 2015 to June 2017

Monthly: This year v last year

June 2017 sales indices

June 2017 index v June 2016 index

(No difference in trading days year on year)

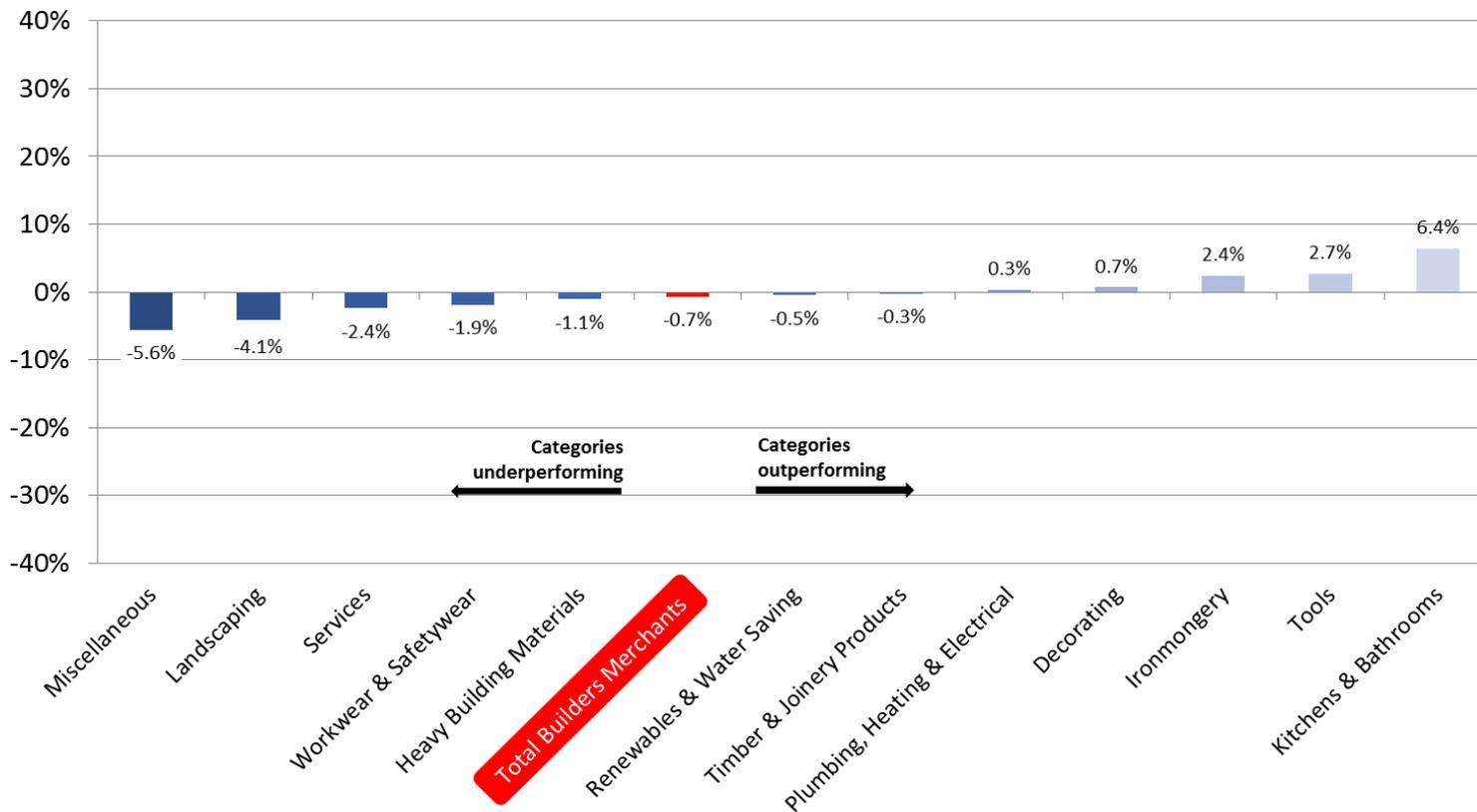


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to June 2017

Monthly: This month v last month

June 2017 sales indices

June 2017 index v May 2017 index



 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to June 2017

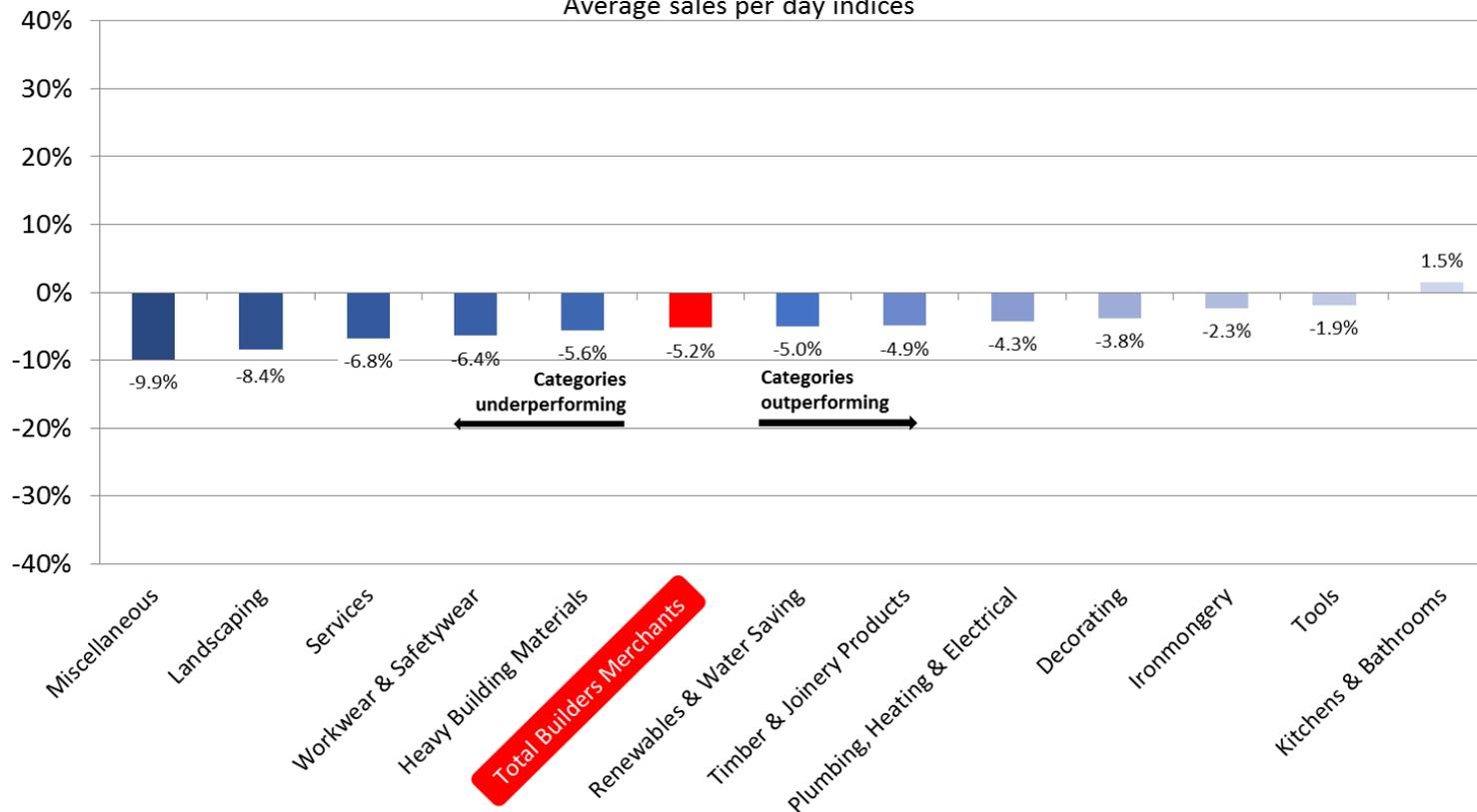
Monthly: This month v last month

June 2017 average sales per day indices



June 2017 index v May 2017 index

Average sales per day indices



Source: GfK's Builders Merchants Total Category Report July 2015 to June 2017

Quarterly: Index and Categories

Quarter 2 2016* to Quarter 2 2017

(Indexed on July 2014 to June 2015)



VALUE EX VAT £	Index	Q2, 2016	Q3, 2016	Q4, 2016	Q1, 2017	Q2, 2017
Total Builders Merchants	100	113.6	112.9	100.9	106.0	116.0
Timber & Joinery Products	100	109.0	111.1	100.7	107.1	112.3
Heavy Building Materials	100	114.1	113.6	101.4	105.7	116.9
Decorating	100	107.0	110.0	98.2	101.8	107.2
Tools	100	103.5	102.8	97.3	106.7	104.7
Workwear & Safetywear	100	100.1	99.4	105.5	108.8	95.3
Ironmongery	100	112.2	115.5	107.4	115.3	117.9
Landscaping	100	142.2	127.0	89.8	96.1	146.0
Plumbing, Heating & Electrical	100	105.2	105.3	113.9	119.9	106.0
Renewables & Water Saving	100	69.1	66.5	59.0	78.2	69.4
Kitchens & Bathrooms	100	104.1	106.1	104.7	110.6	109.6
Miscellaneous	100	111.3	115.1	109.4	115.5	112.5
Services	100	114.7	113.9	98.9	99.3	107.6

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

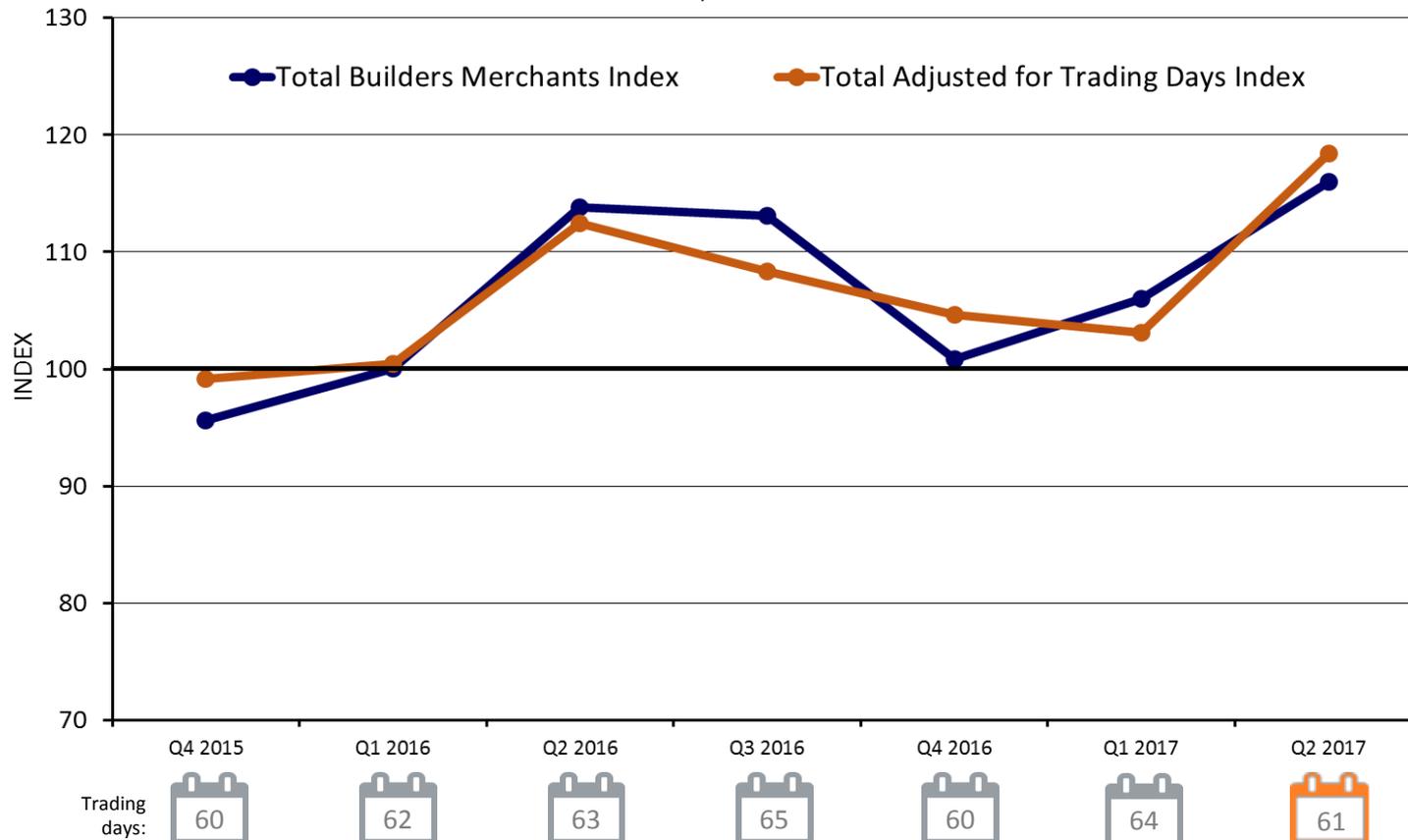
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to June 2017

Quarterly: Index

Adjusted and unadjusted for trading days

Total Builders Merchants Index v Total Adjusted for Trading Days Index

Indexed on July 2014 - June 2015



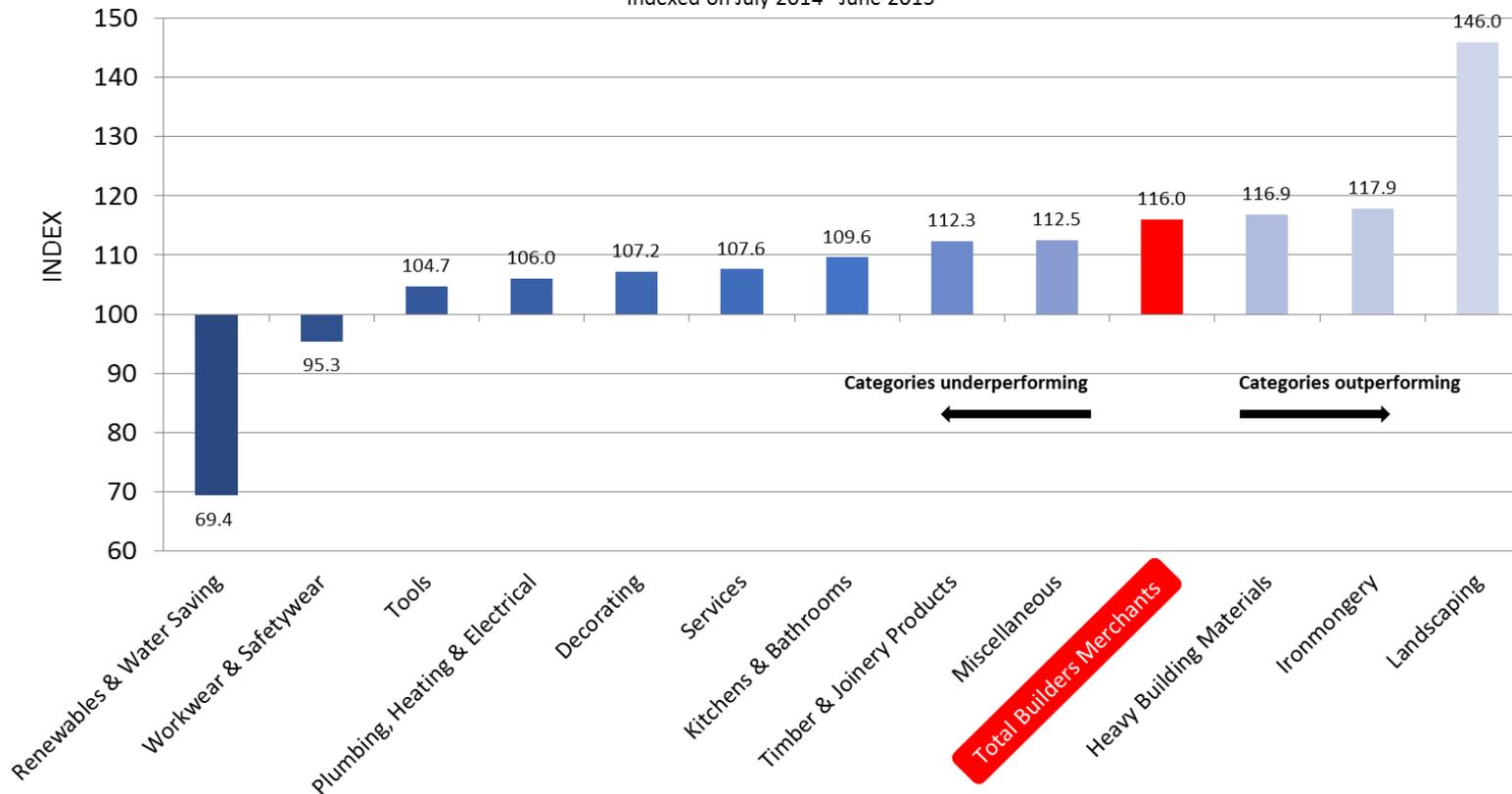
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to June 2017

Quarterly: Index and Categories

Q2 2017 index

Quarter 2 2017

Indexed on July 2014 - June 2015



 Source: GfK's Builders Merchants Total Category Report July 2015 to June 2017

Quarterly: Index and Categories

Q2 2017 index

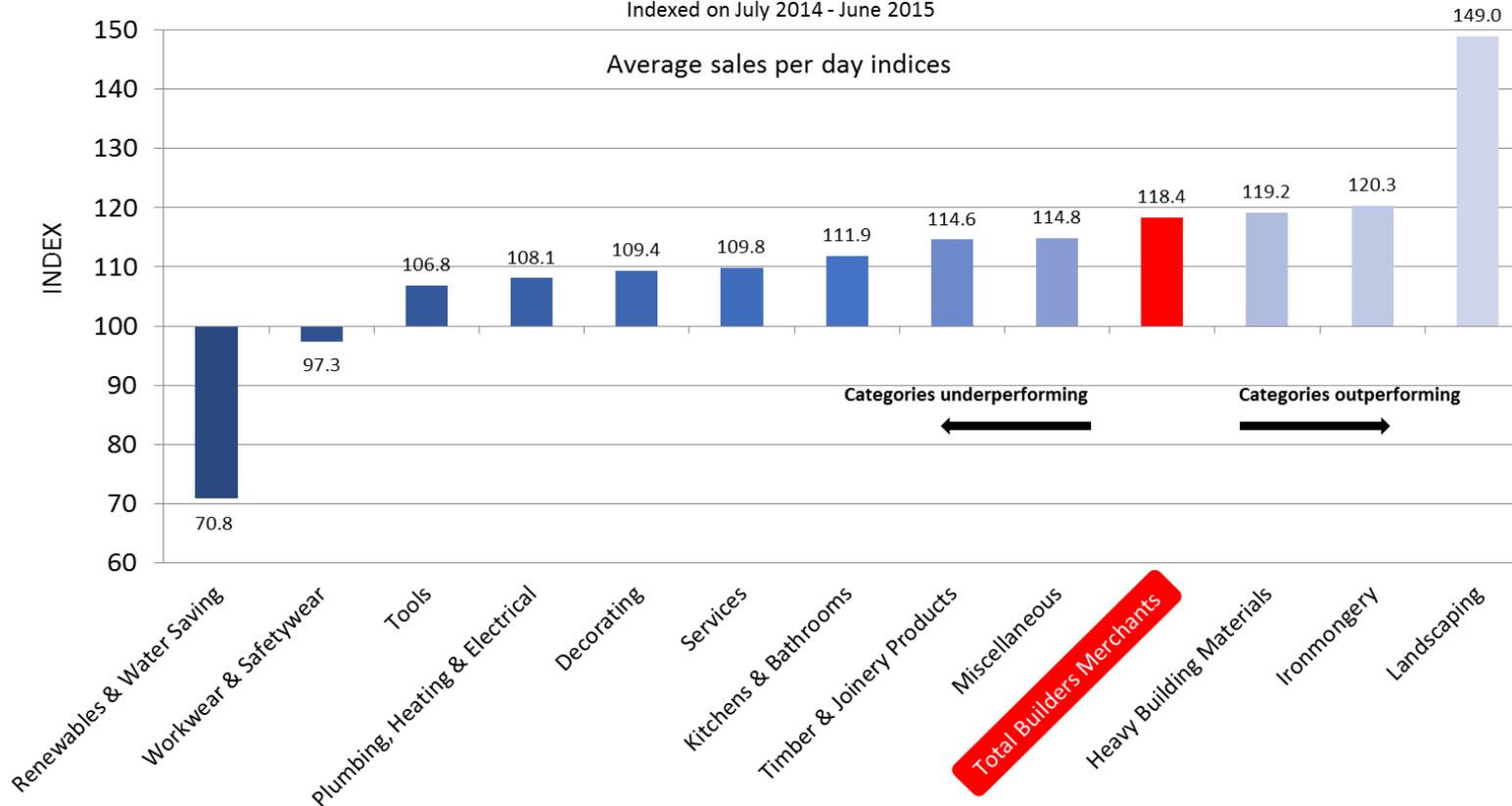
average sales per day



Quarter 2 2017

Indexed on July 2014 - June 2015

Average sales per day indices



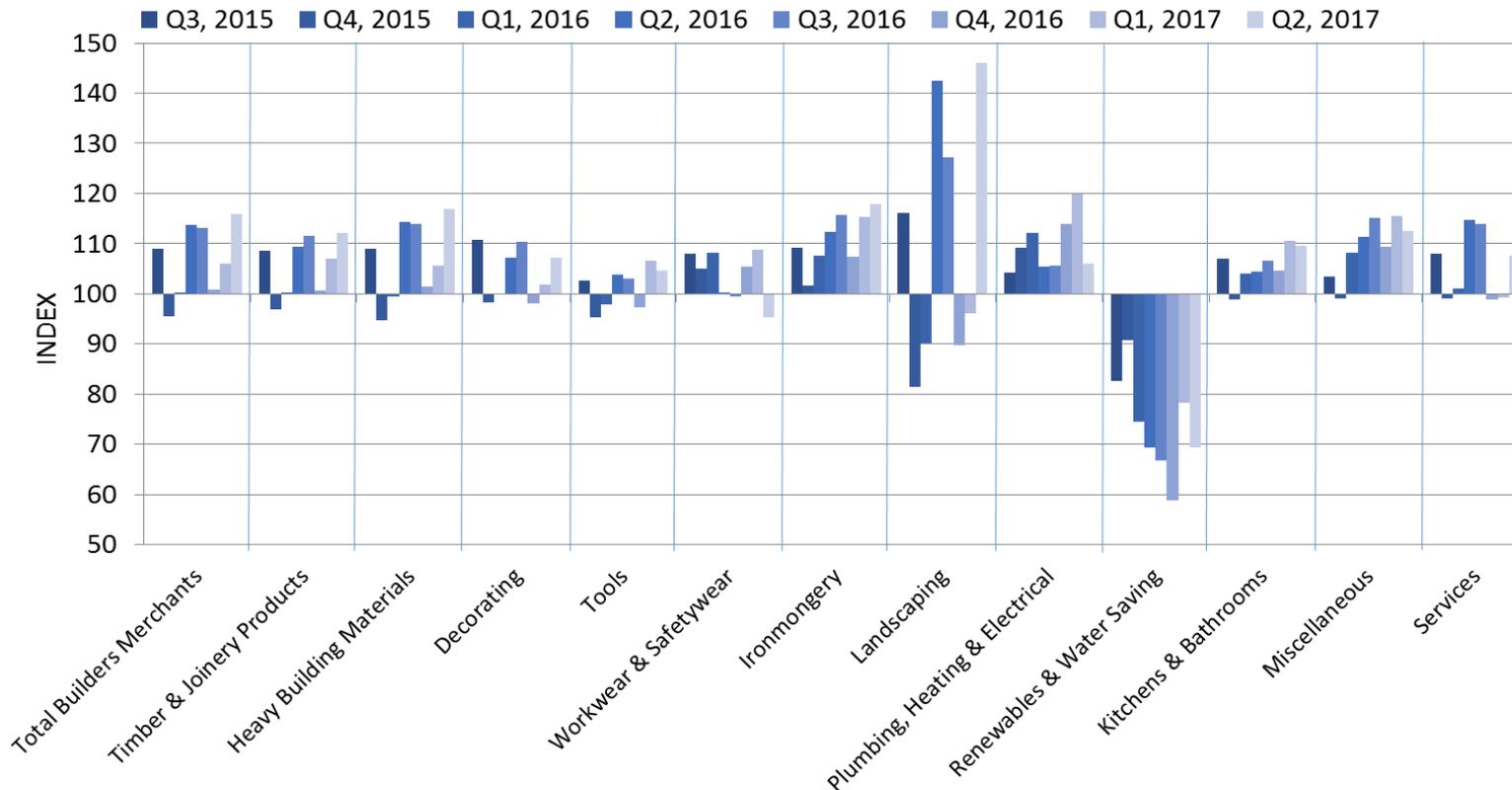
Source: GfK's Builders Merchants Total Category Report July 2015 to June 2017

Quarterly: Index and Categories

Quarterly indices

Quarterly Indices

Indexed on July 2014 to June 2015

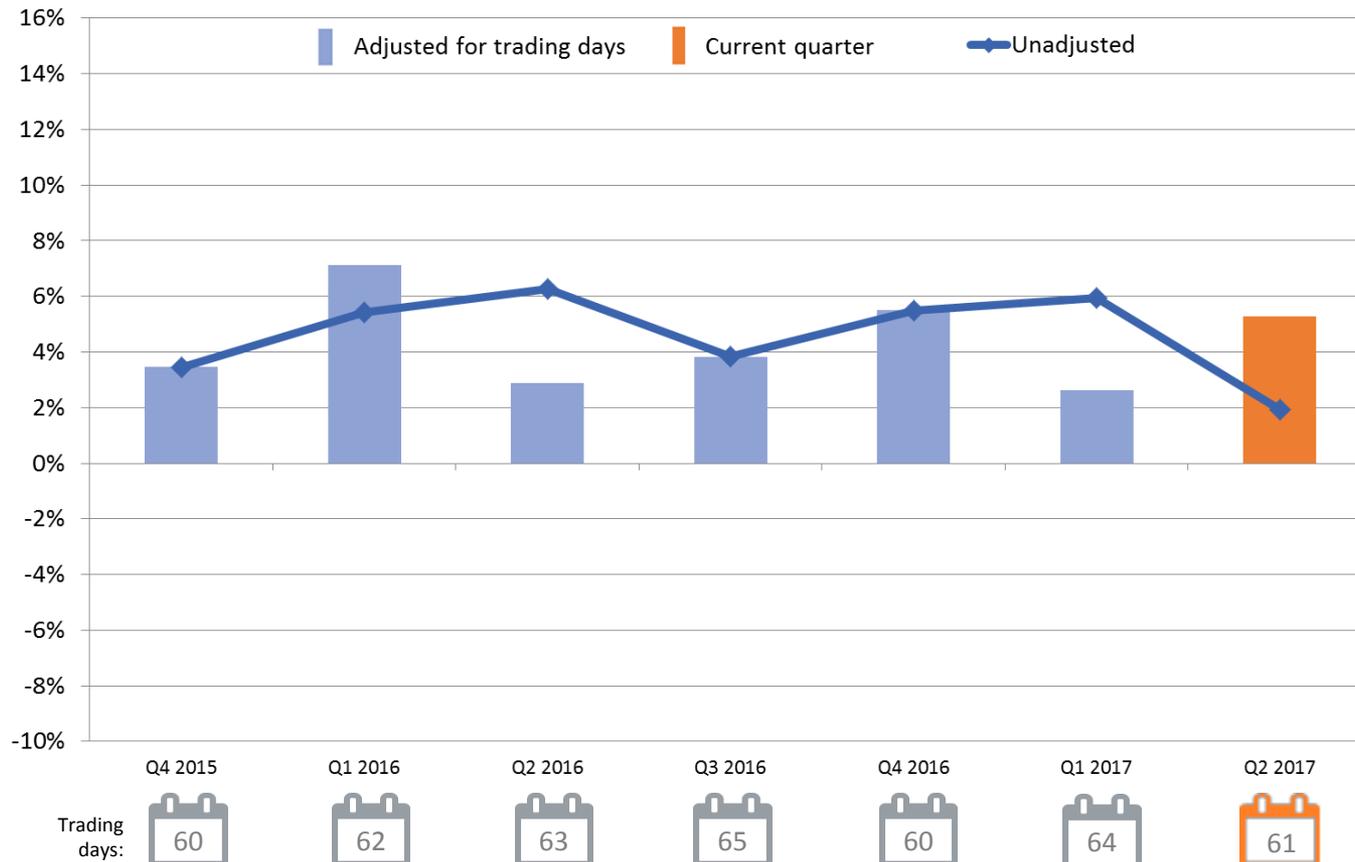


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to June 2017

Quarterly: Sales Indices

Adjusted and unadjusted for trading days

Quarterly Indices: Year on Year

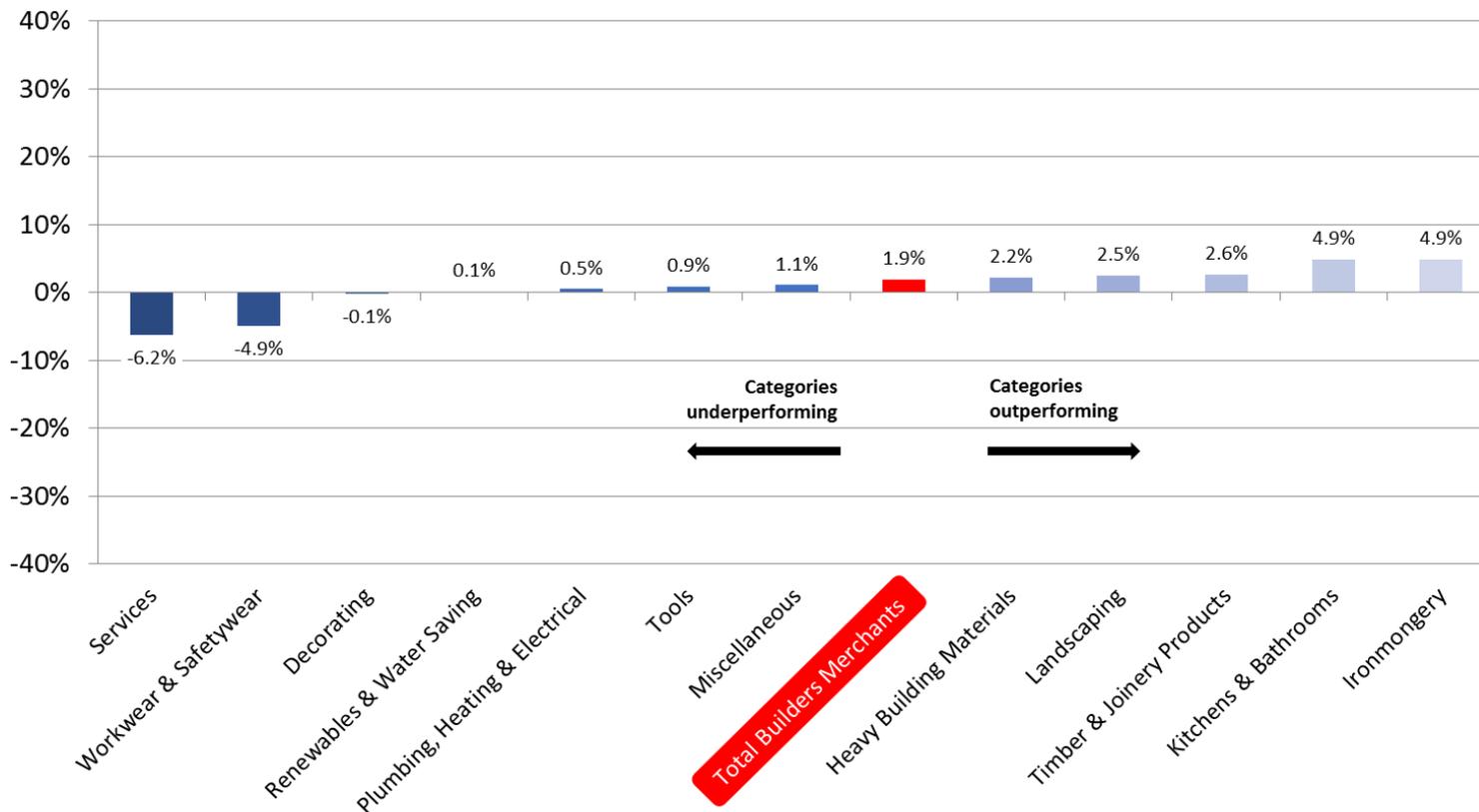


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to June 2017

Quarterly: This Year v Last Year

Q2 2017 sales indices

Quarter 2 2017 index v Quarter 2 2016 index



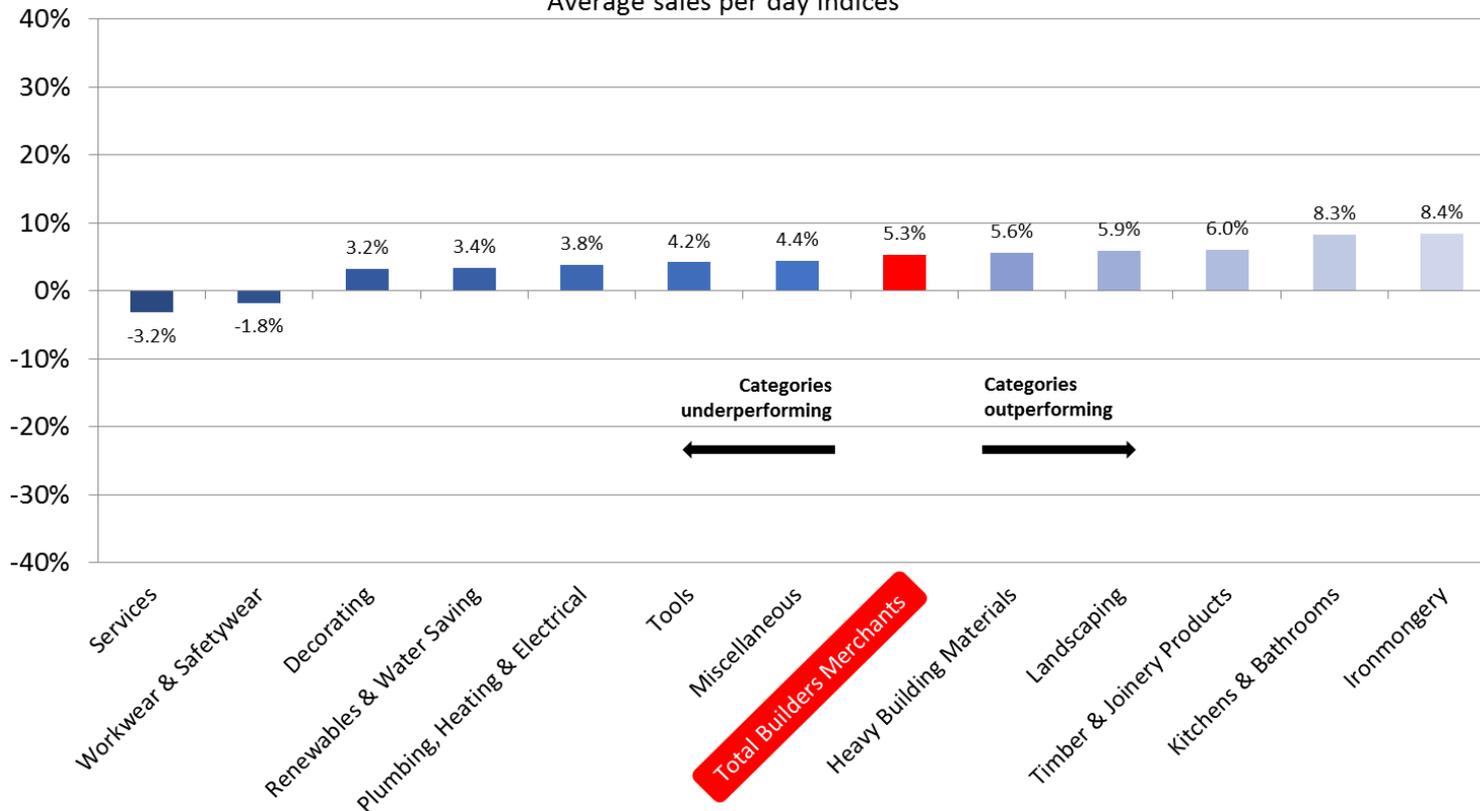
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to June 2017

Quarterly: This Year v Last Year

Q2 2017 average sales per day indices

Quarter 2 2017 index v Quarter 2 2016 index

Average sales per day indices

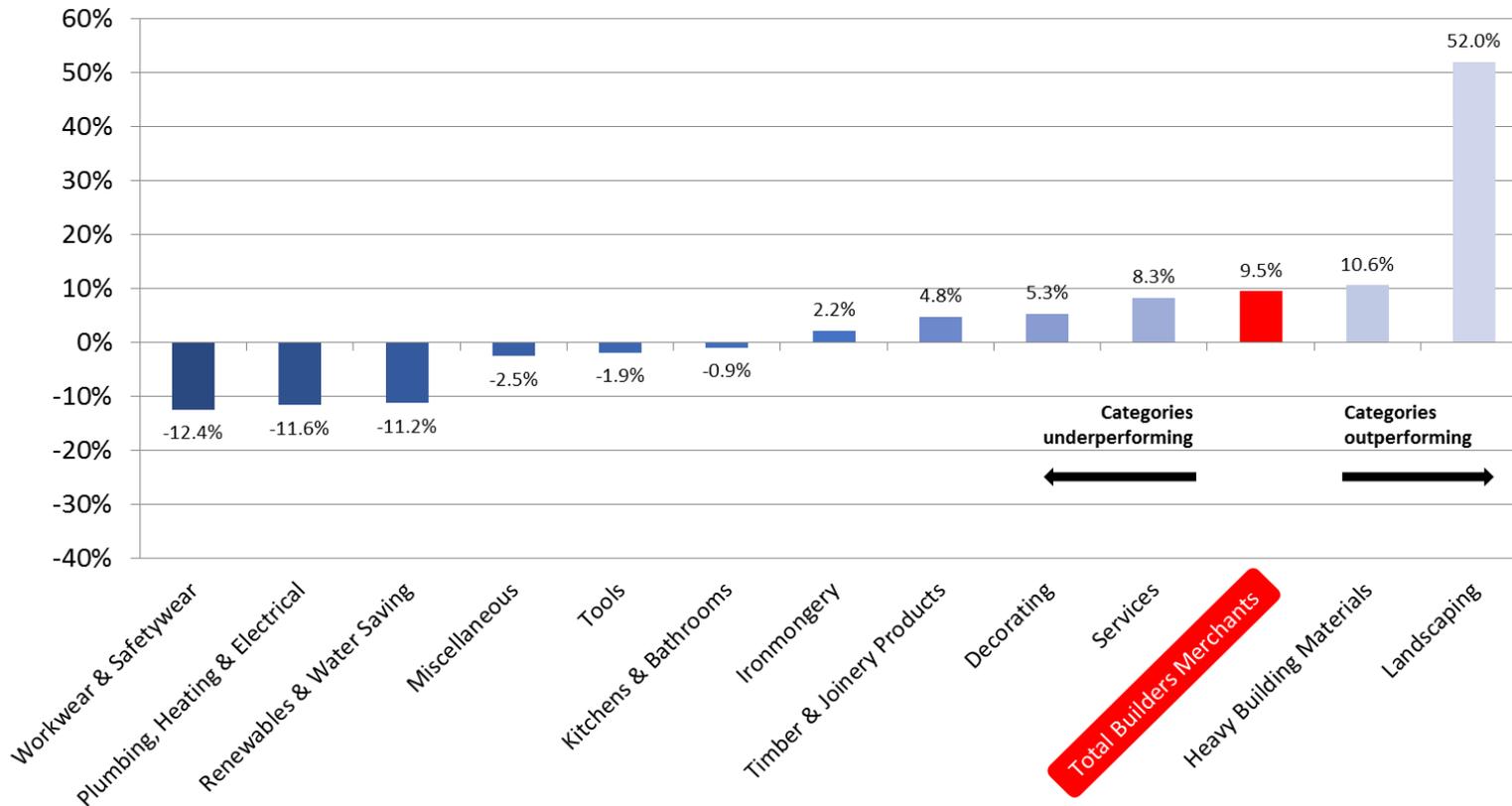


 Source: GfK's Builders Merchants Total Category Report July 2015 to June 2017

Quarterly: Quarter on Quarter

Q2 2017 sales indices

Quarter 2 2017 index v Quarter 1 2017 index



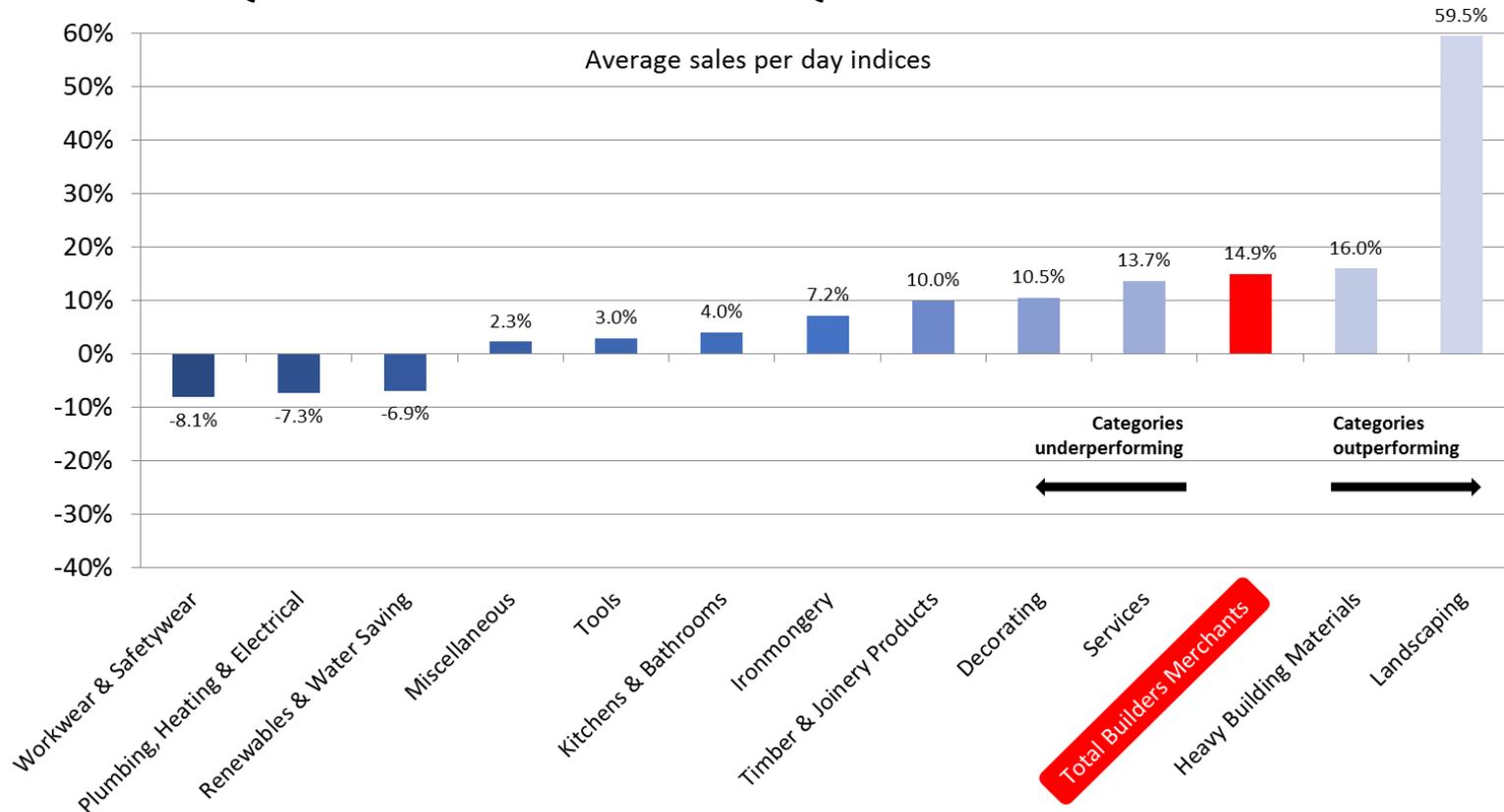
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to June 2017

Quarterly: Quarter on Quarter

Q2 2017 average sales per day indices



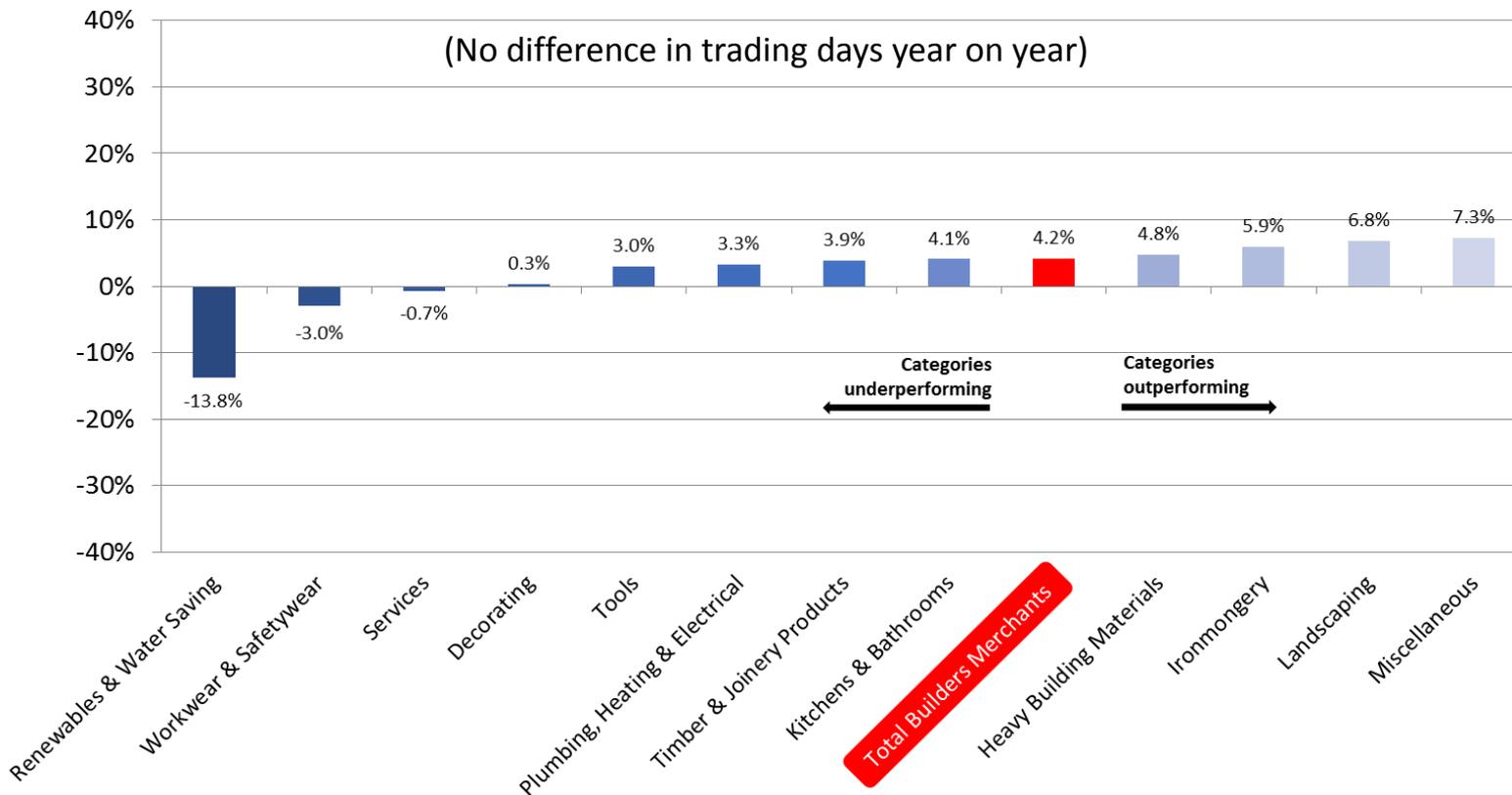
Quarter 2 2017 index v Quarter 1 2017 index



Source: GfK's Builders Merchants Total Category Report July 2015 to June 2017

Last 12 Months: Year on Year Rolling 12 months sales indices

12 months Jul 16 to Jun 17 v 12 months Jul 15 to Jun 16



 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to June 2017

Expert Panel

PVC-U Windows & Doors

(Part of Timber & 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.

Quarter-on-quarter enquiries are down for the first time in three years but this could be due to more builders' merchants pricing online. Compared with Quarter 2 2016, the market for bespoke PVC-U windows and doors remains ahead. Sales are up quarter-on-quarter and year-on-year by 9% and 45% respectively.

Conversion rates continue to improve too as more merchants recognise the benefits of selling bespoke windows. It's a valuable £5 billion a year market and merchants have taken to it in a big way.

The challenge for merchants is changing the way they sell. As consumers, most builders, installers and private developers go online to look at what's available and increasingly order online. Slick retailers like Amazon and others have made it so easy, quick and convenient that we now expect it all the time, in business and personal life. And once you get used to it, it's frustrating to step back in time to a slower, less convenient way of doing things.

Merchants who sell PVC-U windows with showrooms and online configurators sell much more, and more easily than those who don't. They've seen the potential, and are changing how they sell. Showrooms make it easier for merchants to engage with their builder and contractor customers. They're especially effective with high value home improvement products such as kitchens and bathrooms, and create more engaging customer experiences for quality PVC-U windows and doors too.

It's important that merchants and suppliers continue working together to deliver an Omnichannel approach to marketing high-ticket home improvement products. Smart customers go online first, to find helpful, relevant content and their perceived product solution. But then, ready to buy, merchants need to follow through at branch level with knowledgeable staff and strong representation of the product, backed by reliable, on-time deliveries.

Bespoke PVC-U windows and doors have opened up a big, new market for merchants. But unless merchants put more resource and effort into developing seamless Omnichannel marketing that combines online with showrooms and in-branch initiatives, many merchant markets will be vulnerable to new external threats. Combining the best attributes of both people and technology, in both 'real' and 'virtual' environments is the way forward.

“The challenge for merchants is changing the way they sell.”

Expert Panel

Roof Windows

(Part of Timber & Joinery Products)



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

With so many political and economic factors completely up in the air at present it is fair to say 'change' has become the new normal. In this respect it's a good time for merchants and manufacturers to be actively engaged with customers and in-tune with their changing needs.

It's positive that the BMBI index continues to show modest growth. Roof Windows are doing better than the market average with growth into double figures holding up in quarter 2 reflecting the relative strength of RMI.

There is a regional variation in performance demonstrated by the fact that average house prices in the UK vary by a factor of almost four between the highest and the lowest region, and London more than twice the national average.

The industry faces the double whammy of an aging construction work force and likely Brexit restrictions on future labour movement. Keylite is reacting by developing new, highly efficient, products which are simple to install and meet the performance needs of end users. We believe, launching new, added value products is the best way to make a positive impact in the market and innovation should be the industry's prime focus.

For merchants, these new, added value products are a chance to engage and stay relevant with customers but merchants must also plan to develop new ways to service a more tech savvy customer. This will become a growing challenge as the market turns to look increasingly towards alternative supply channels to the traditional trade counter queue.

Brexit's impact on Sterling is already a reality, forcing price increases and inevitably weakening consumer spending power in the coming year as prices creep up in contrast to wages. We all face challenges ahead and the message has to be that, in this changing world, we need to 'develop, or risk becoming irrelevant'.

“Roof Windows are doing better than the market average with growth into double figures holding up in quarter 2 reflecting the relative strength of RMI.”

Expert Panel

Timber & Panel Products

(Part of Timber & Joinery Products)



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

Our view in Quarter 1 was that the market for Timber and Panel Products looked promising and that we should be optimistic for the year. In reality the second quarter has been more challenging than expected. The run up to the election and the surprise result created uncertainty and confusion - and political uncertainty, whether domestic or foreign, continues to influence trade and impact our markets. At best we can say quarter two's performance was flat.

The market for hardwood timber though is stable with no major supply issues. European oak remains popular and with the traditional summer closing of the mills, the supply chain will slow and there could be a short term impact on stocks during August and September.

The OSB (Oriented Strand Board) sector is still difficult and is feeling the effects of shortages as demand continues to outstrip supply. Prices remain volatile and continue to rise. Additional production capacity will ease the situation as we enter 2018.

MDF (Medium Density Fibreboard) supply chain shortages eased slightly in Quarter 2 compared to the previous quarter but product availability has stayed on allocation which in turn leads to continued pricing pressure.

The well-publicised and tragic fire at Grenfell Tower has shaken our industry and raised concern over building regulations and standards. Various timber and panel products are fire treated and the increased demand is impacting on the lead time for treated products. Merchants are encouraged to check availability well in advance of requirements.

In summary, we had a bumpy second quarter and the outlook for the next three months is modest.

“...the second quarter has been more challenging than expected.”

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.

Taking material cost inflation into account, the market for metal rainwater, civil and drainage markets was a few percentage points up in value in Quarter 2, but volume was flat. The surprising results of the election shook market confidence, delaying large projects, with smaller orders making up the shortfall.

Housing and commercial markets continue to do well, but the uncertainty in the market is causing civils projects to be put on hold or shelved. A hung parliament and the ambiguity of Brexit negotiations have knocked consumer confidence, as the referendum initially did last year. But in Britain, London-centric economists, politicians competing for attention, and the media hunting for a headline are too quick to talk the market down!

Even in uncertain times, there are opportunities, for example in bespoke manufacturing and factory-fit solutions where we're seeing strong and growing demand, particularly from large contractors. This is driven by the skills shortage and the creativity in design and architecture.

The Grenfell disaster has shaken our industry in more ways than one. It will take years before we fully understand what happened and what or who was responsible. However, we believe it will lead to closer investigation of fire resistant products and better policing from testing to installation. It will also lead to specifiers favouring construction materials such as metal over plastic. Already we've seen increased interest in BBA approvals within our paint plant and metal rainwater systems.

The cast iron manholes and gratings anti-dumping issue continues. The European Commission is considering an opportunistic anti-dumping claim by a group of European companies against UK manufacturers importing from China or India. If approved, we expect a levy of around 40% on all imported products. It's frustrating and a concern for the industry. The next hearing is in September.

Export markets remain strong, largely driven by the exchange rate and many UK consultants expanding abroad. Although Quarter 2 was flat, July was busy and the market is still growing so with that in mind and considering the current uncertainty, we expect Quarter 3 to grow a cautious 2-3%.

“Taking material cost inflation into account, the market for metal rainwater, civil and drainage markets was a few percentage points up in value in Quarter 2, but volume was flat.”

Expert Panel

Cement & Aggregates

(Part of Heavy Building Materials)



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

The Mineral Products Association reported weak sales volumes in Q2 2017 compared to Q1 with aggregates down 5.1%, and ready-mixed concrete (RMC) down 5.3%, confirming a general slowdown in construction activity. Sales of RMC have declined for three consecutive quarters in London, and we believe activity has now peaked in the capital, although volumes remain at high historic levels.

A weakening in overall activity was expected this year, reflecting the softer economic and construction outlooks post-referendum. Looking forward, major infrastructure projects such as Hinkley Point and HS2, plus Highways England's road programme should help to steady the ship.

Builders' merchants face a number of market 'disrupters'. Leaving the EU will doubtless have a big impact on farmers and rural landowners who depend on European subsidies. Many large regional merchants who service the rural sector will be affected.

Materials and skill shortages are delaying project starts and will take time to overcome. Hardstone such as granite is becoming scarce, due to frustrating delays in the mineral planning system. Skill shortages are inherently disruptive, and we all have to do our bit to encourage young people into our markets with apprentice schemes, training and learning, and an attractive career path.

Merchants have been encouraged to adopt an Omnichannel approach to selling to future- proof their business. Amazon and other disrupters have created a new way of buying and selling, and their online model has been replicated across retail, influencing the way we buy. It's been slowly moving into the merchant sector. With new initiatives such as www.built.co.uk this is accelerating. A building materials supplier has launched this new online platform to provide quick and easy access to a wide range of heavy and light side building materials, with full price transparency for digital savvy builders who want the same flexibility and convenience in their business life they experience as a consumer. Most builders and contractors still prefer to go to their local traditional branch, but it's important to change how you sell to suit those who prefer to buy a different way

“Builders’ merchants face a number of market ‘disrupters’.”

“Merchants have been encouraged to adopt an Omnichannel approach to selling to future- proof their business.”

Expert Panel

Roofing Products

(Part of Heavy Building Materials)



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

Although construction was up overall in the last quarter, roofing was flat at best in much of the market. Housebuilding is still showing growth but slowing and commercial projects continue to be affected by delays. Raw material price rises – partly due to shortages and partly the result of increases in fuel and energy costs - and Euro currency inflation have started to hit the market, which affects sales volumes.

Skills shortages remain a concern in RMI and commercial sectors, and with continuing uncertainty over Brexit, this is likely to get worse. Looking at the key indicators, new build seems to be slowing as well, and the CPA (Construction Products Association) forecasts show construction softening in 2018.

Following the tragic Grenfell fire, there is likely to be much more emphasis throughout the supply chain – and in all areas of construction – on products meeting regulations, and ensuring they are specified and installed correctly. The Bonfield Report 'Each Home Counts' (December 2016) was the first to highlight the need for a review of standards and regulations in the context of Energy Efficiency and Renewable Energy. The aim of the review is to raise the bar in a way that protects householders and minimises the risk of poor quality installations.

Earlier this year the roofing industry welcomed the new NFRC (National Federation of Roofing Contractors) guidelines on safe practice when using gas torches. The Safe2Torch campaign is the result of two years' work and will directly affect at least 50% of all the flat roofs installed in the UK. It aims to put safety first at the design stage. Although the guidelines aren't mandatory, ensuring fire risks are identified at the survey stage and factored into specifications is a great contribution to safety in roofing. Developed with contractor and manufacturer NFRC members, it should significantly reduce the risk of roof fires when using gas torches, either to dry out roofs or to install torch-on membranes. That can only be a good thing for the industry, end-clients and the market.

“Following the tragic Grenfell fire, there is likely to be much more emphasis throughout the supply chain – and in all areas of construction – on products meeting regulations, and ensuring they are specified and installed correctly.”

Expert Panel

Steel Lintels

(Part of Heavy Building Materials)



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

The steel lintels market for Q2 2017 continued to grow at a similar rate to Q1. Year-on-year, Q2 grew approximately 6-7%, and was up 3% on Q1. The daily figures have been fairly constant over the quarter. One interesting trend that stands out is the growth of non-standard and special lintel solutions which are growing at double digit levels. This strong growth is also evident in thermal performing steel lintels.

The House Building sector has continued to deliver steady growth and we are seeing some of the more entrepreneurial SME housebuilders expanding their business to close the gap with the nationals in the housing market. New housing registrations statistics are encouraging and as long as consumer confidence is maintained, the new housing sector seems to be on a steady climb.

The RMI sector is visibly improving, as can be seen just by rough counts of the number of skips in the road. This was the basis of The Sunday Times economist David Smith's Skip Index. It's a very useful rule of thumb measurement. RMI seems to have really increased over the past quarter and we are experiencing enquiries increasing by over 15%. With a degree of positivity in the market, it is a shame the politicians will soon be returning from their summer break.

The industry is however concerned with material & labour availability and price surety impacting on the market. We are also concerned about compliance to standards and regulations. This is particularly prevalent with new innovative products, such as the new thermally performing lintels, where new design standards and regulations are required. We have ourselves a dedicated team, working in partnership with builders to raise awareness and provide product training for designers, SAP assessors and site teams on new products.

This focus on product awareness with the builder, coupled with merchant branch training initiatives is designed to support merchant partners to stay informed about the changes in the market, and engage with new recruits to the industry, promoting good practices and merchant sales.

“The steel lintels market for Q2 2017 continued to grow at a similar rate to Q1. Year-on-year, Q2 grew approximately 6-7%, and was up 3% on Q1.”

Expert Panel

Mineral Wool Insulation

(Part of Heavy Building Materials)



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

The markets for glass and rock mineral wool remain robust following strong sales in the six months to June.

We ourselves have seen between 5-7% growth in Q2 compared with the same period last year, despite some uncertainty across the construction sector.

As I highlighted in last quarter's index, polls ahead of June's general election predicting a Conservative landslide missed the mark. The hung parliament has done little to moderate the uncertainty caused by the ongoing Brexit process, but there now appears to be a stronger opposition. That's helpful when it comes to the debate surrounding issues like energy efficiency and housing policy.

As we enter EU negotiations, inflationary pressures caused by the weaker pound will lead to the continued high cost of importing both finished goods and raw materials. This upward pressure on price exacerbates the wider raw material shortages that continue to affect parts of the industry. We've certainly been conscious of this and have partnered with Veolia to invest £10 million into a recycled glass processing facility at our St Helen's site to help secure the supply of raw materials for our glass mineral wool products and help shield us from the effects of shortages.

Finally, the insulation industry has been under the spotlight like never before following the Grenfell Tower fire. I, and no doubt everyone in the sector, offer my condolences to everyone affected by the terrible tragedy. Perhaps understandably, we have seen a marked increase in enquiries about the fire performance properties of our products. The industry is participating fully in the groups set up by DCLG in the wake of the fire, and it is to be hoped that those groups result in well thought through changes to current regulations.

“The markets for glass and rock mineral wool remain robust following strong sales in the six months to June.”

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 year started positively for insulation but various factors have set the market back in the last quarter. Ongoing product shortages, especially in PIR insulation, have affected lead times and consistency in supply. However, the uncertainty caused by the General Election affected our industry more widely. A poorly prepared Manifesto saw the Conservatives lose their majority and strength in Parliament. This took the country by surprise and knocked confidence, triggering doubt in the Government's ability to achieve a positive and firm Brexit negotiation. With the Government's negotiating hand undermined, what kind of deal can we now expect?

A key priority for the Government is to create a period of stability so confidence can rebuild. House building and RMI are key drivers for the insulation market, builders' merchants and wider construction. But Government policies on building new homes need to be clearer, more consistent and take a longer term view to avoid a collapse in confidence. Housing has a lot of ground to make up and it's in everyone's interest to build and improve more, not less.

A stronger focus from Government on policies to improve the energy performance of our buildings would be widely welcomed, with schemes to help upgrade the energy efficiency of our existing homes in particular. Insulation is an obvious solution, with proven benefits in reducing heating costs and carbon dioxide. The UK housing stock is among the least energy efficient in Europe. It's about time this was recognised and action taken. Everyone, including Government, benefits.

The Construction Products Association (CPA) has welcomed an independent review of building safety and regulations in high-rise residential buildings by the Department of Communities and Local Government, which we fully support. The review will look at current building regulations and fire safety with a focus on high-rise apartments and flats. This may lead to higher performance solutions being specified in the future, which is good news.

Events in the first half of the year have certainly eroded consumer and business confidence, and sapped the UK economy. We hope to see more stability and positivity as we move into Quarter 3.

“A stronger focus from Government on policies to improve the energy performance of our buildings would be widely welcomed, with schemes to help upgrade the energy efficiency of our existing homes in particular.”

Expert Panel

Bricks

(Part of Heavy Building Materials)

IBSTOCK



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

Builders Merchants continue to replenish brick stock levels after a year of de-stocking, particularly during the first half of 2016, and merchants' sales remain strong.

At the same time, housebuilders continue to increase their build programmes in response to the ongoing demand created by low unemployment, low mortgage interest rates, a chronic shortage of homes and particularly, the continuing influence of the governments Help-to Buy Equity Loan scheme, which has been used in over 120,000 newly built home transactions since its introduction in 2013. With the government committed to this scheme until 2021, the pace of new home building appears set to continue for the foreseeable future.

With clay brick the most popular choice by far for constructing new homes, brick demand should also be strong over the coming years. Indeed, recent evidence suggests brick sales are showing signs of returning to pre-financial crisis levels.

Following March 2017, during which we experienced the highest single brick industry despatch volume in any month in nine years, May and June exceeded that with the highest monthly despatch level since September 2007, before the credit-crunch. In the 6 months to the end of June 2017, overall brick industry despatches were 15% ahead of the same period last year. However this is against a very soft 2016. These figures exclude imported bricks, which are also rising to meet the demand.

With the increase in brick demand, comes the concern for longer lead times, and there is already evidence of this at certain factories, particularly for soft mud products. In response, brick manufacturers are increasing production levels at in-demand factories wherever possible. There are still stocks of bricks readily available for customers at many factories and manufacturers continue to look for opportunities to develop their plants to increase capacity.

Once fully commissioned, Ibstock's new soft mud brick factory in Leicestershire will commence production in the final quarter of 2017, producing up to 100 million bricks a year.

It is vitally important that builders' merchants work closely with their builder customers to plan their direct-to-site brick needs as early as possible. I'd also continue to advise builders' merchants to consider their ongoing depot stock requirements and place accurate schedules for key products for the remainder of the year.

“...recent evidence suggests brick sales are showing signs of returning to pre-financial crisis levels.”

Expert Panel

Natural Stone Landscaping Products

(Part of Landscaping)



Malcolm Gough, Group Sales & Marketing Director Natural Paving Products is BMBI's Expert for Natural Stone Landscaping Products, Vitrified Paving & Artificial Grass.

Brexit is still having a big effect on imports. Indian natural stone is at a higher cost in the market than we have seen for some time. Sterling is trying to recover but it's a long way away from what it was, and buying fewer Indian Rupees. Shipping increased dramatically at the early start of the landscaping season. We expected prices to settle back down but like exchange rates it's recovering very slowly and costs are still high.

Trends for this year seem to be "grey": customers can't get enough of this colour. Last year it was buff and cream. Unfortunately grey stone is in shorter supply and prices are slightly higher.

Merchants are slowly realising that rates are not the same as previous years so higher prices are filtering through to the domestic market and being accepted by end-users, builders and landscapers.

As predicted, a lot of smaller/medium size stone importers who weren't willing to pay high container prices are now short of stock. Singles size flag stones are worst hit.

Despite price rises, April and May have been especially busy. We estimate market volume is up 3-4%. As reported last month, these price rises are closing the gap between natural stone and other premium hard landscaping products such as Italian vitrified porcelain paving. The combined effect of the trend towards stone and rising prices shows as strong growth this year in the value of sales. See the landscaping chart page 45.

Average selling prices of Vitrified ceramic and Vitrified porcelain paving have really come down, with most of the main suppliers offering a "trade type product". We recently introduced a 18mm vitrified porcelain paver, and the demand has been overwhelming.

Artificial grass is also a strong and growing market, particularly for better quality grasses. Branch managers who haven't got a POS or fixed roll display are missing out on new sales.

These are challenging times, but there are many opportunities, particularly with the extension of the landscaping season. We expect a very positive Quarter 3.

"Trends for this year seem to be 'grey': customers can't get enough of this colour."

Expert Panel

Water Heating

(Part of Plumbing Heating & Electrical)

HEATRAE SADIA
SMARTER | CLEANER | WARMER



Paul Rivett, Managing Director Heatrae Sadia is BMBI's Expert for Water Heating.

Trading during Quarter 2 continued the trend set in the first period of 2017, with overall sales out through merchants falling back by 10% when compared to the same period in 2016. Overall this leaves the sector trailing last year by 7.5% for the half year.

However the picture is more complex than the headline view, with domestic hot water storage cylinders declining more than electric commercial water heating or boiling water dispensers which remained relatively flat. The issue with domestic hot water storage is due to the wider use of 35kW combi boilers in new build properties, a practise that needs to stand up to a winter when ambient water temperatures are much lower than the current summer temperatures. It's a factor that will affect performance and potentially result in consumer complaints of poor flow rates.

Electric boiler sales were however consistent with last year, driven by the trend of replacing gas boilers in flats and apartments with electric powered versions, due to more stringent regulations for installing gas boilers and flues in this type of dwelling. This is a trend that is set to continue, along with the increased use of offsite package solutions for flats and apartments. As skilled labour becomes harder to find, these solutions provide the specifier and developer with more control of quality, design and installation cost. The package would typically include a hot water cylinder installed on a painted frame with other products such as pumps, manifolds or controllers depending upon the requirement of the installation.

In summary, it's a mixed picture so far this year but good opportunities exist by selling package solutions, and more niche products such as electric boilers and drinking water products.

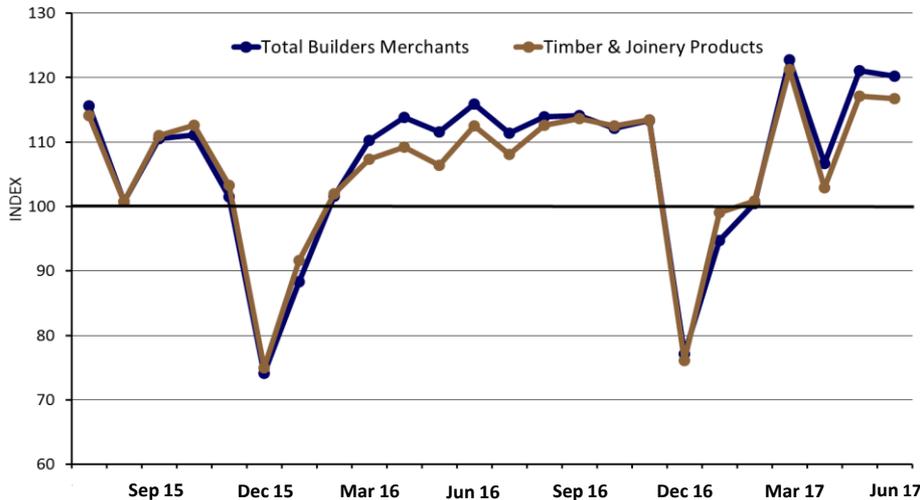
“It’s a mixed picture so far this year but good opportunities exist by selling package solutions, and more niche products such as electric boilers and drinking water products.”

Monthly and Quarterly Indices

June 2017 and Q2 2017

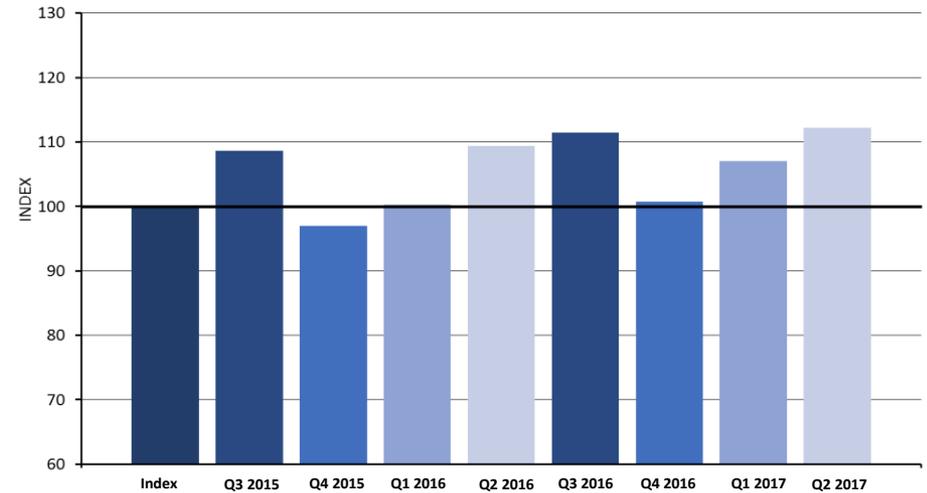


Timber & Joinery Products



Monthly chart indexed on July 2014 – June 2015

Timber & Joinery Products - Quarterly



Quarterly chart indexed on July 2014 – June 2015

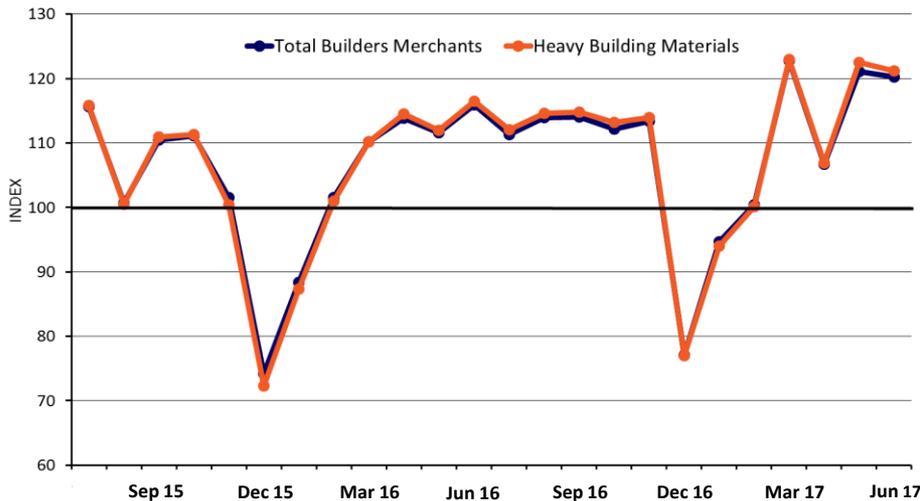
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to June 2017

Monthly and Quarterly Indices

June 2017 and Q2 2017

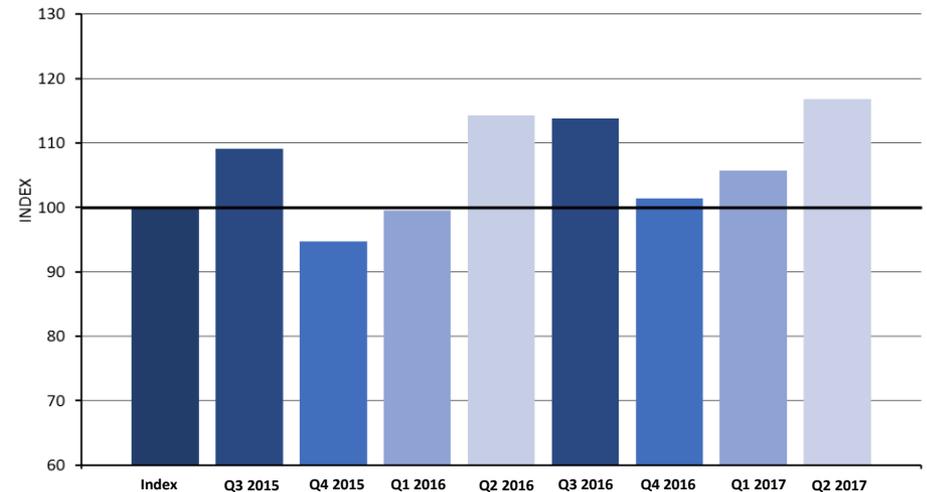


Heavy Building Materials



Monthly chart indexed on July 2014 – June 2015

Heavy Building Materials - Quarterly



Quarterly chart indexed on July 2014 – June 2015

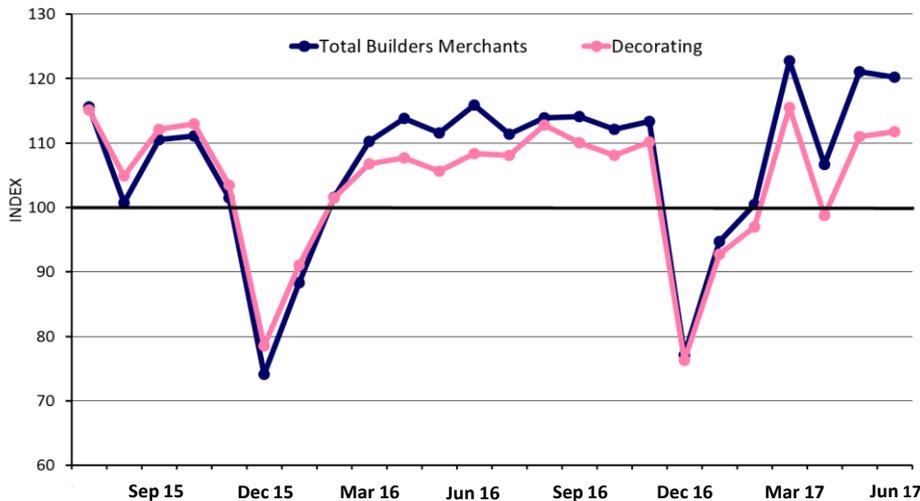
GfK Source: GfK's
Builders Merchants
Total Category Report
July 2015 to June 2017

Monthly and Quarterly Indices

June 2017 and Q2 2017

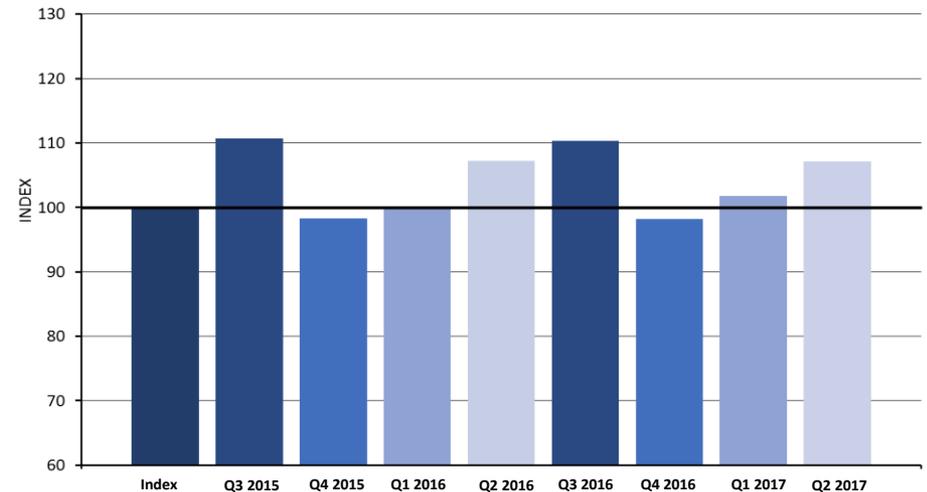


Decorating



Monthly chart indexed on July 2014 – June 2015

Decorating - Quarterly



Quarterly chart indexed on July 2014 – June 2015

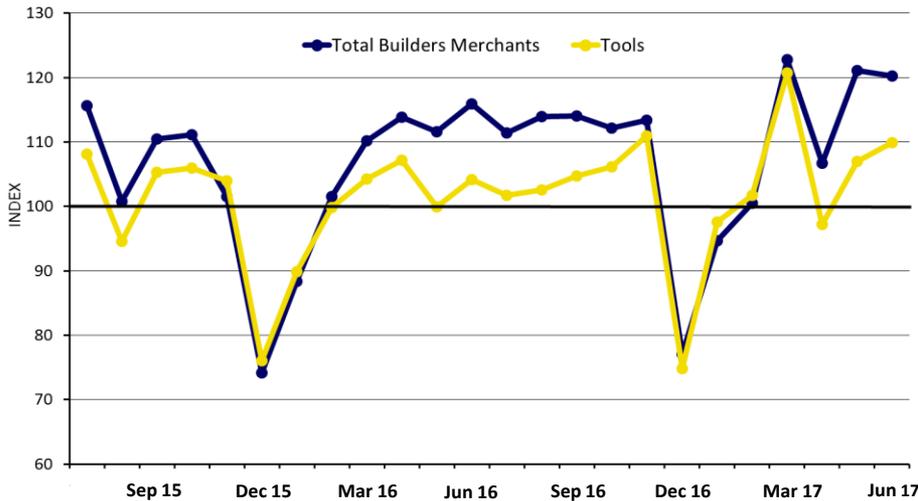
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July 2015 to June 2017

Monthly and Quarterly Indices

June 2017 and Q2 2017

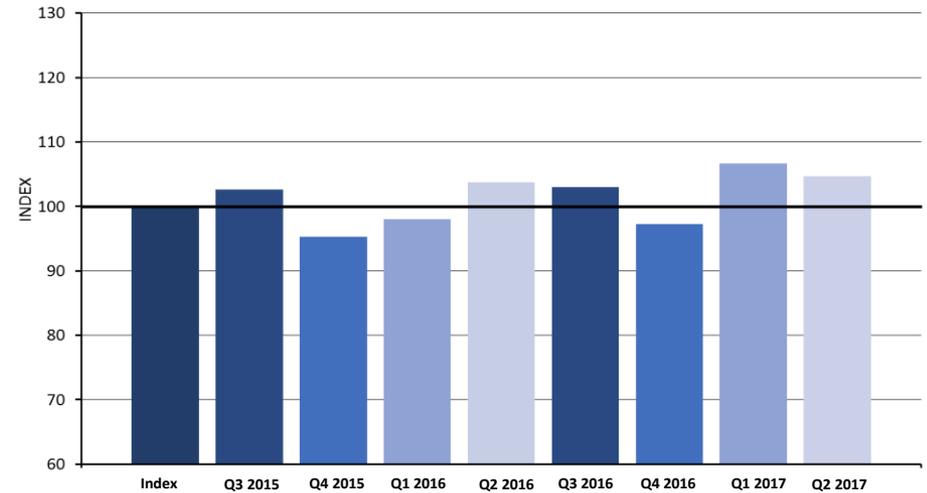


Tools



Monthly chart indexed on July 2014 – June 2015

Tools - Quarterly



Quarterly chart indexed on July 2014 – June 2015

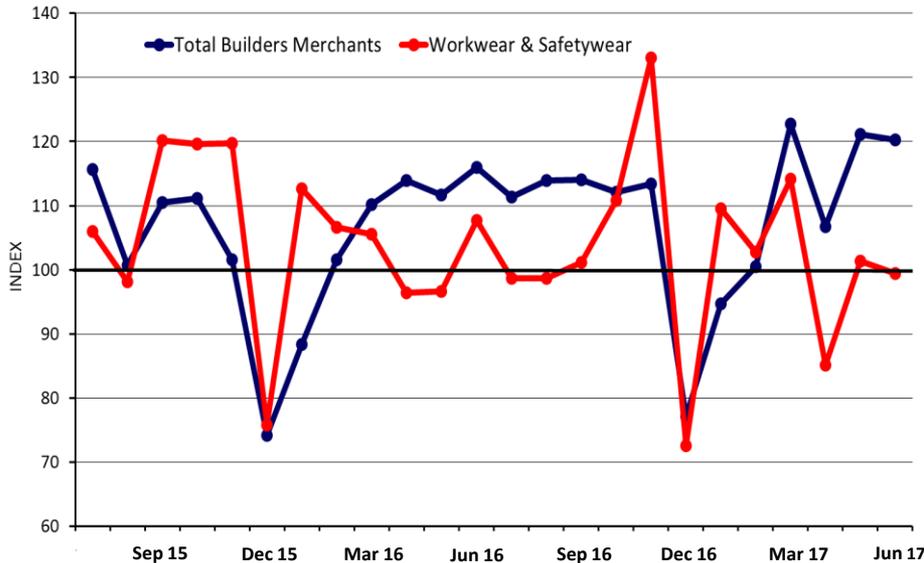
GfK Source: GfK's Builders Merchants Total Category Report July 2015 to June 2017

Monthly and Quarterly Indices

June 2017 and Q2 2017

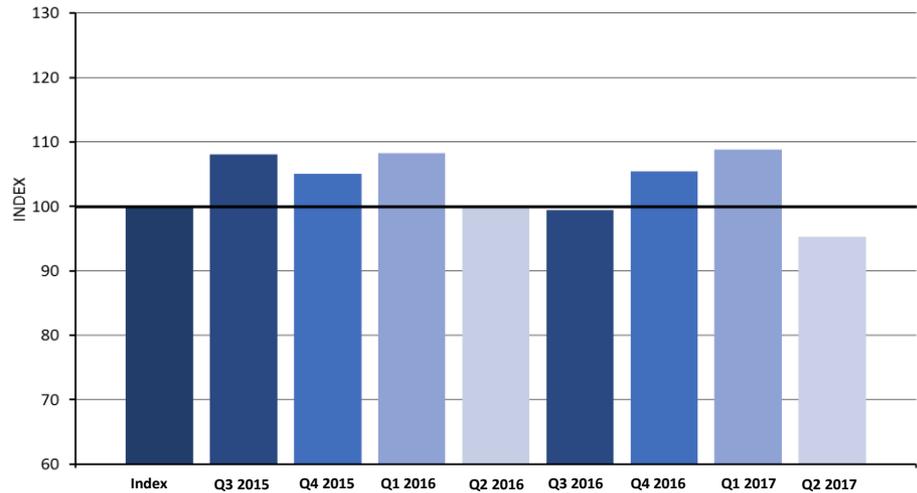


Workwear & Safetywear



Monthly chart indexed on July 2014 – June 2015

Workwear & Safetywear - Quarterly



Quarterly chart indexed on July 2014 – June 2015

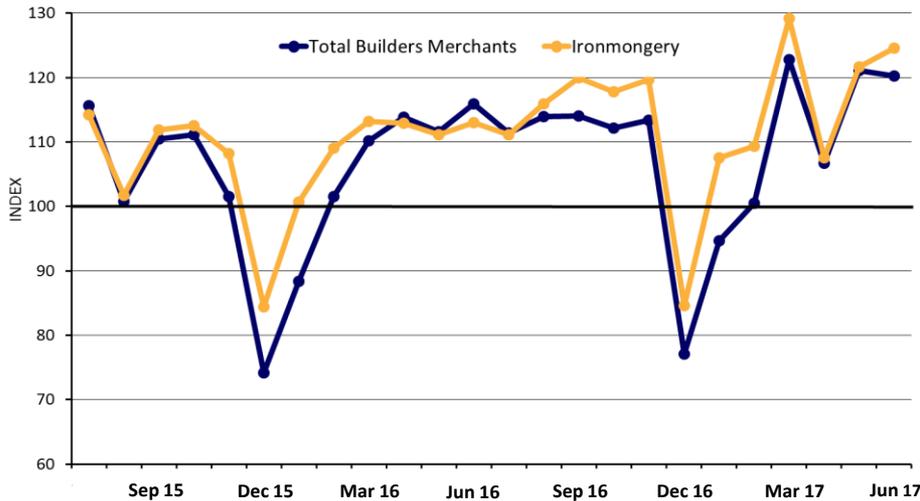
 Source: GfK's Builders Merchants Total Category Report July 2015 to June 2017

Monthly and Quarterly Indices

June 2017 and Q2 2017

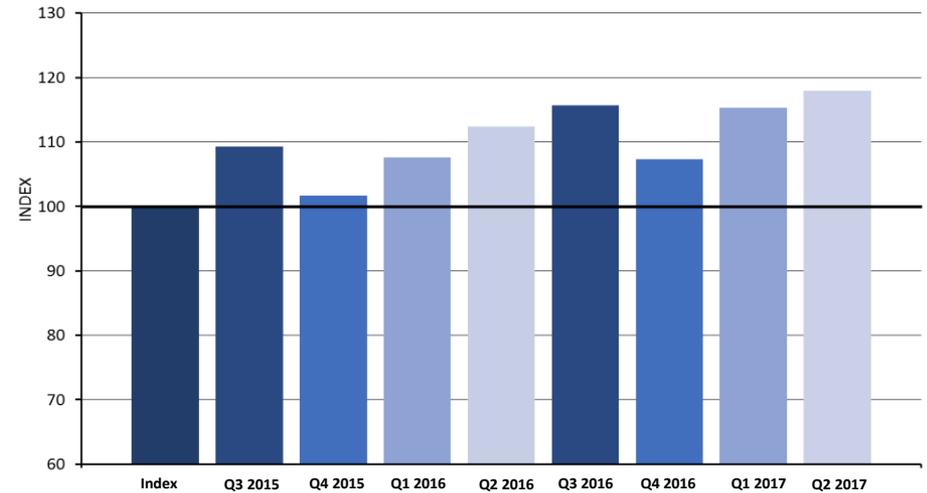


Ironmongery



Monthly chart indexed on July 2014 – June 2015

Ironmongery - Quarterly



Quarterly chart indexed on July 2014 – June 2015

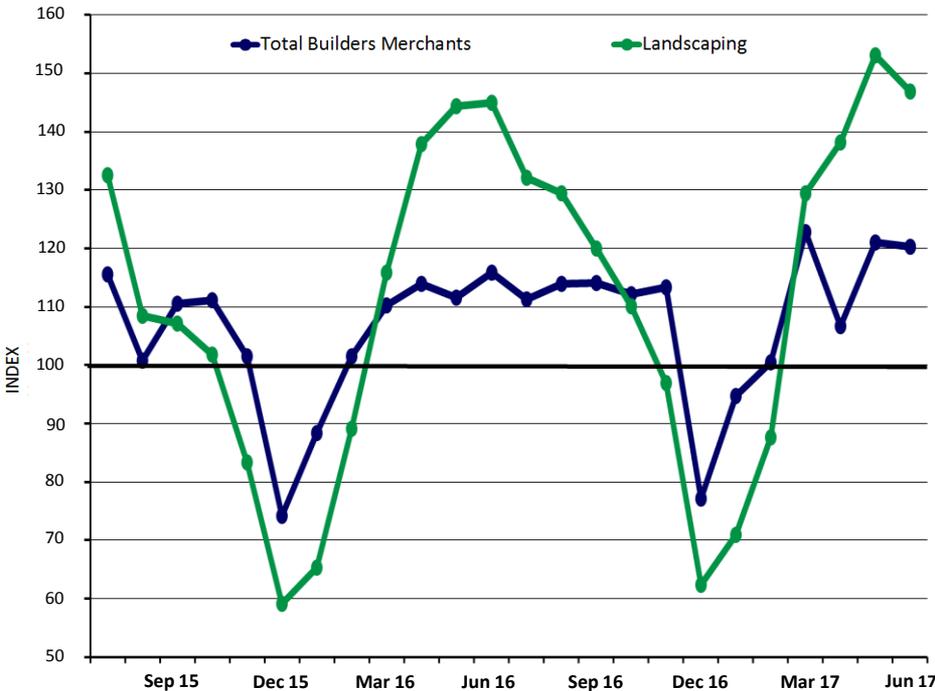
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Monthly and Quarterly Indices

June 2017 and Q2 2017

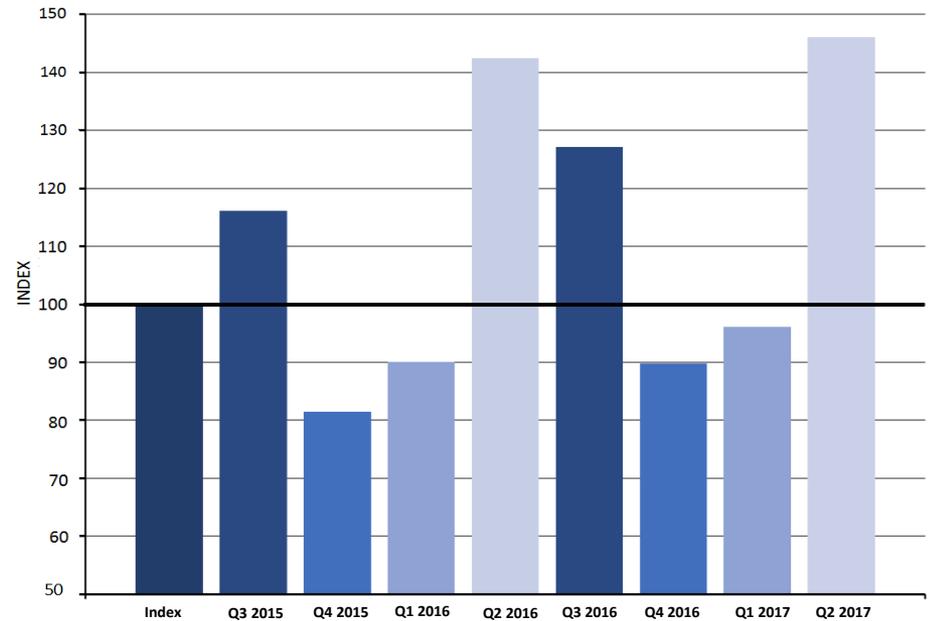


Landscaping



Monthly chart indexed on July 2014 – June 2015

Landscaping - Quarterly



Quarterly chart indexed on July 2014 – June 2015

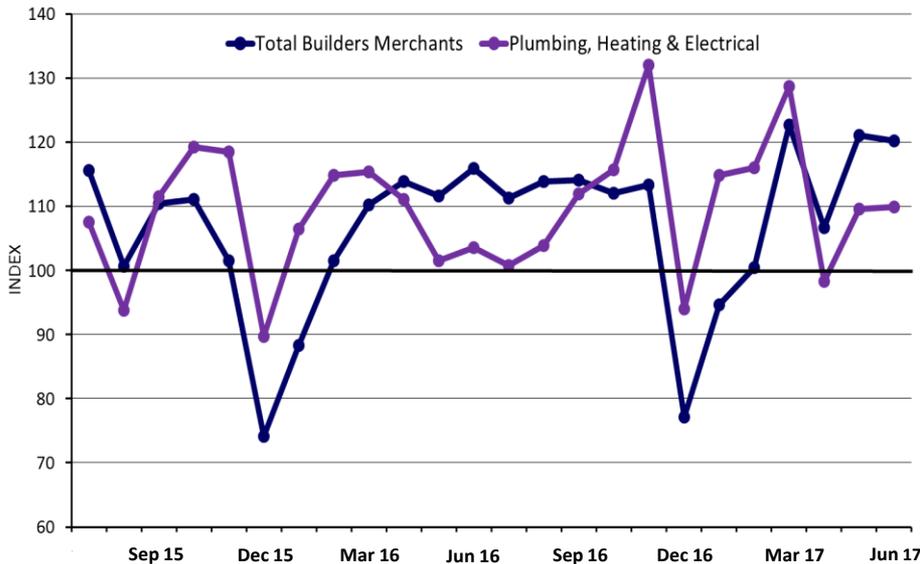
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July 2015 to June 2017

Monthly and Quarterly Indices

June 2017 and Q2 2017

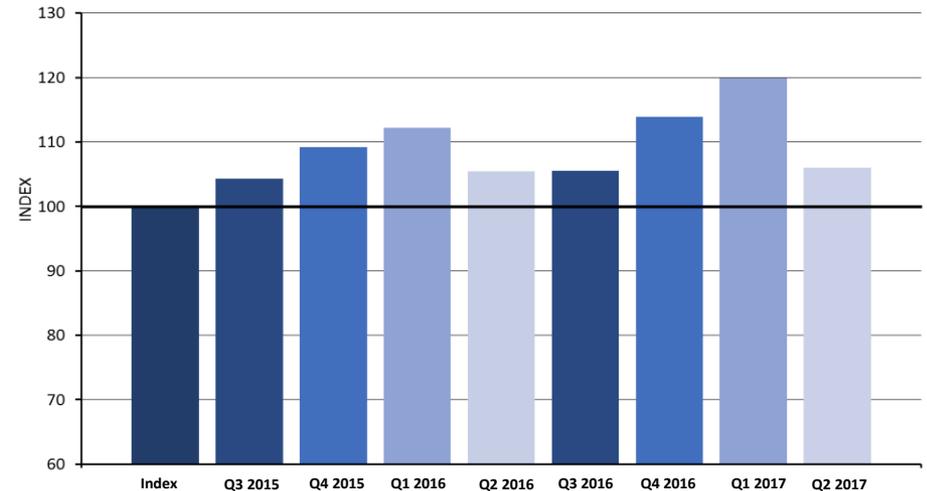


Plumbing, Heating & Electrical



Monthly chart indexed on July 2014 – June 2015

Plumbing, Heating & Electrical - Quarterly



Quarterly chart indexed on July 2014 – June 2015

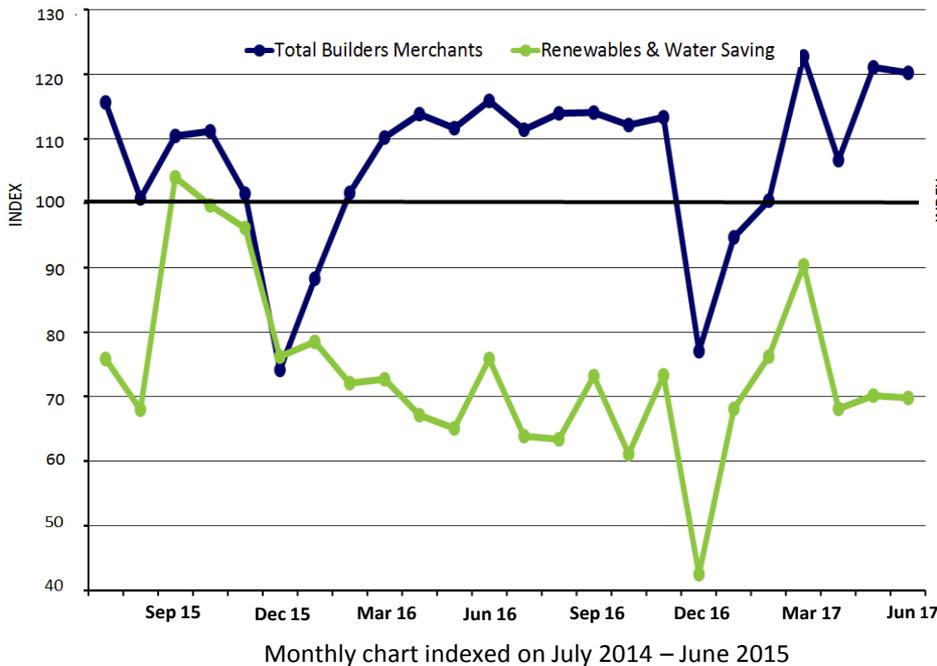
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Total Category Report
July 2015 to June 2017

Monthly and Quarterly Indices

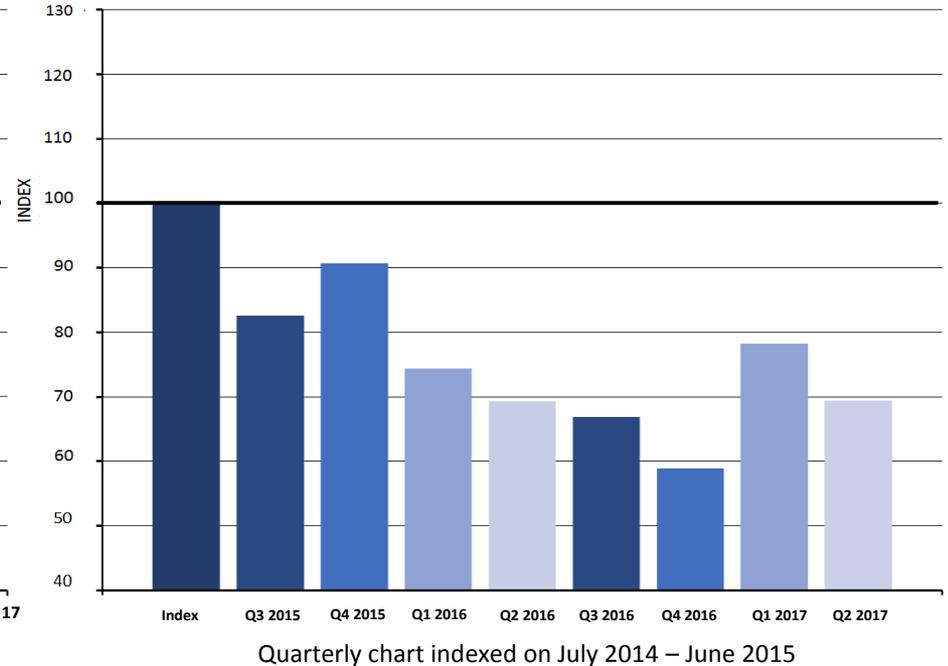
June 2017 and Q2 2017



Renewables & Water Saving



Renewables & Water Saving - Quarterly



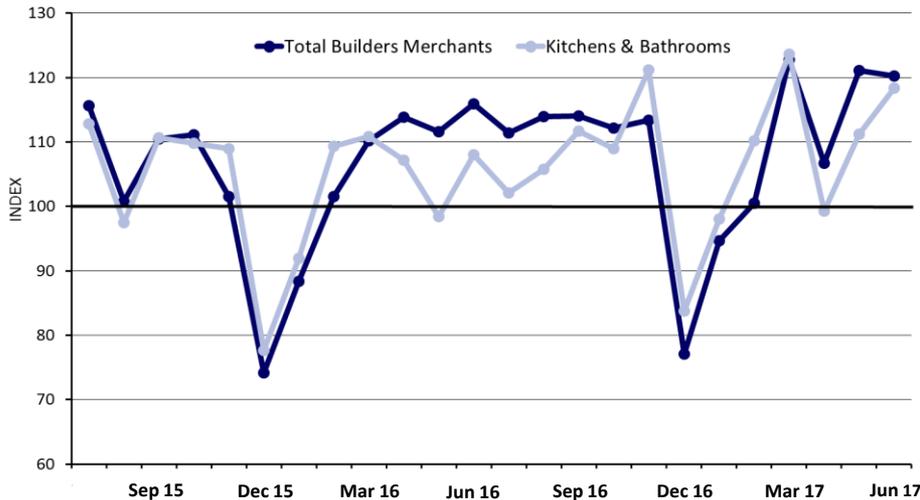
Source: GfK's Builders Merchants Total Category Report July 2015 to June 2017

Monthly and Quarterly Indices

June 2017 and Q2 2017

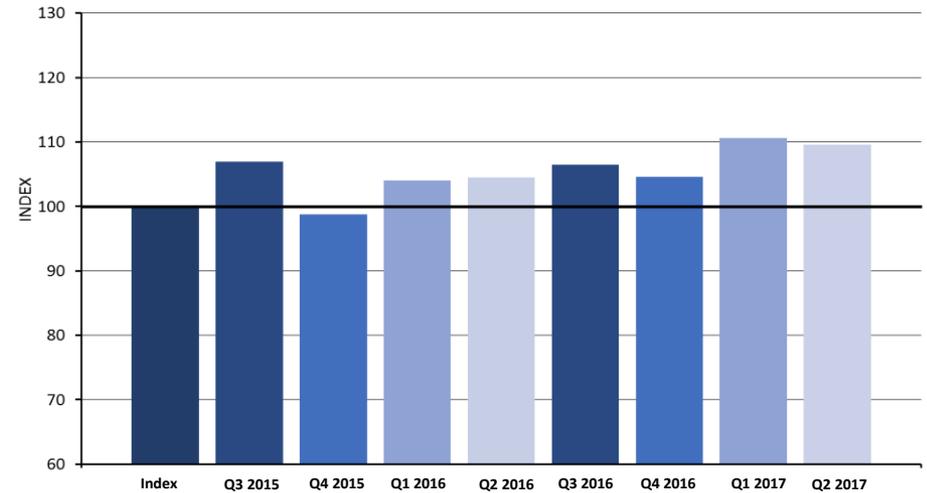


Kitchens & Bathrooms



Monthly chart indexed on July 2014 – June 2015

Kitchens & Bathrooms - Quarterly



Quarterly chart indexed on July 2014 – June 2015

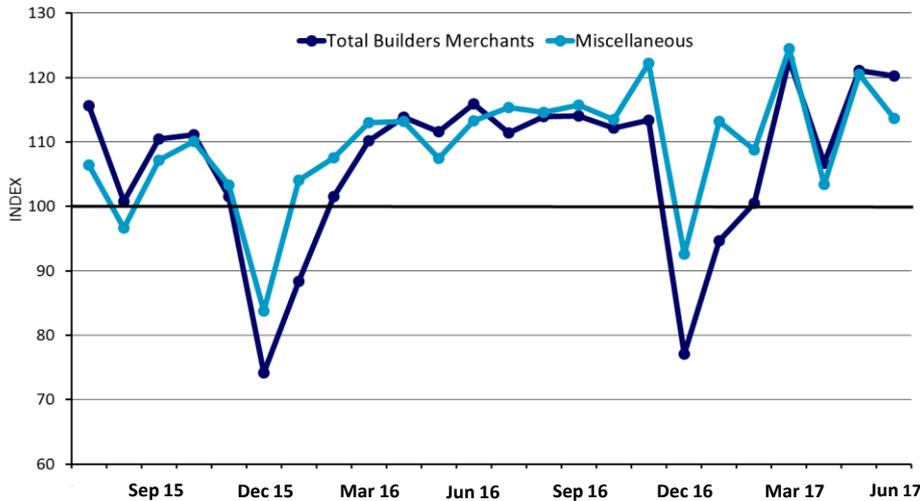
GfK Source: GfK's
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June 2017 and Q2 2017

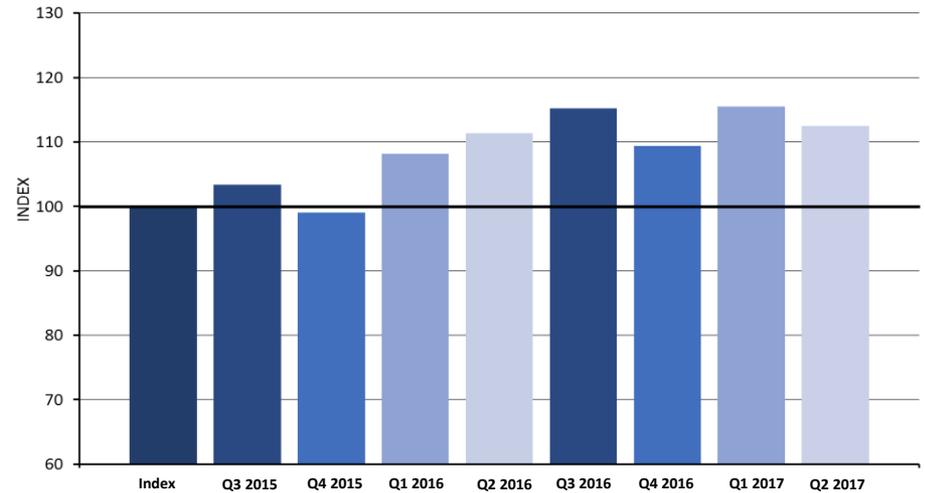


Miscellaneous



Monthly chart indexed on July 2014 – June 2015

Miscellaneous - Quarterly



Quarterly chart indexed on July 2014 – June 2015

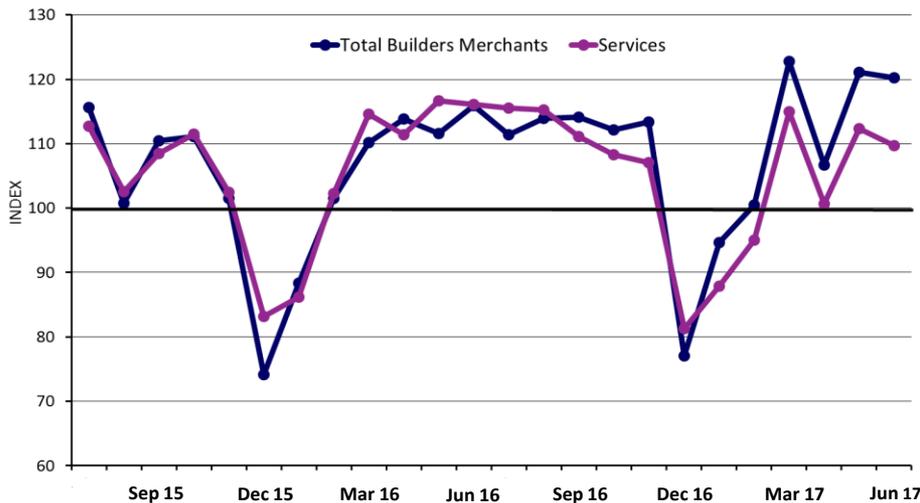
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Monthly and Quarterly Indices

June 2017 and Q2 2017

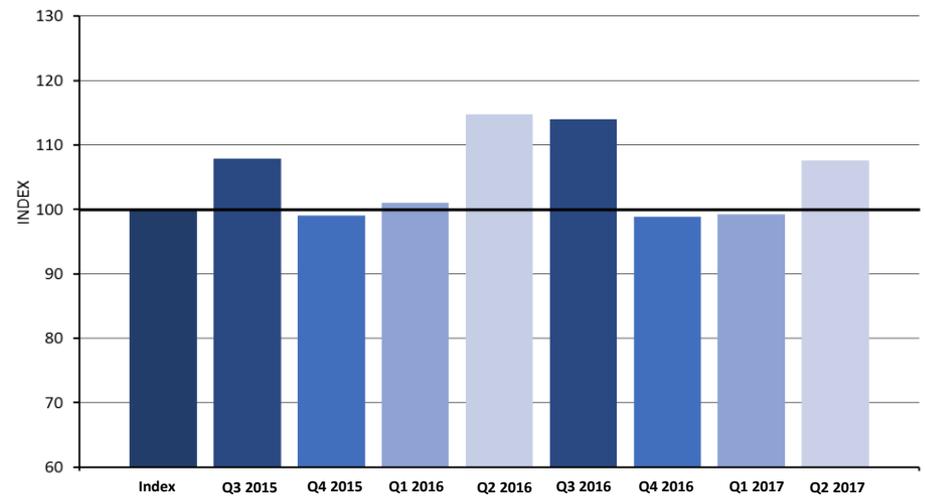


Services



Monthly chart indexed on July 2014 – June 2015

Services - Quarterly



Quarterly chart indexed on July 2014 – June 2015

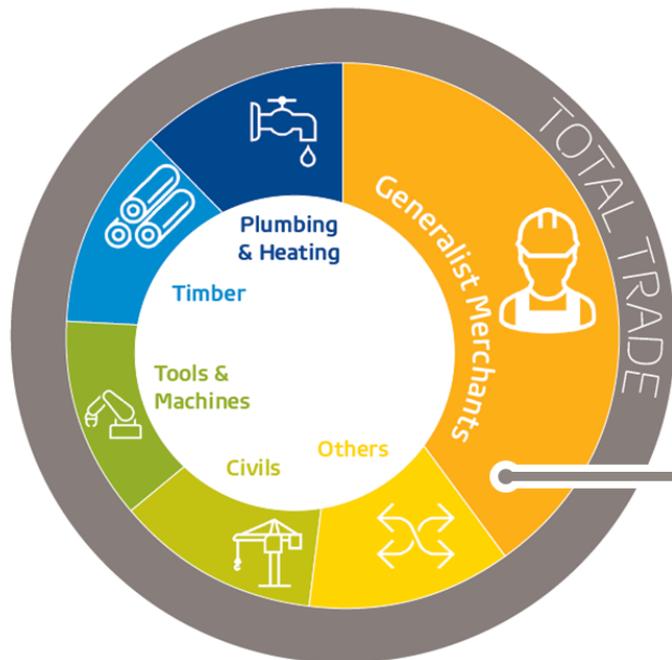
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to June 2017

GfK's Panel

Generalist Builders Merchant Panel (GBM's)



The Multiple Generalist Builders Merchants Channel



Generalist Builders Merchants

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

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

Examples include:



GfK Insights Methodology



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

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

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

GfK's Product Categories

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



Headline values available

Timber & Joinery Products

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

Heavy Building Materials

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

Decorating

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

Tools

Hand Tools
Power Tools
Power Tool Accessories
Ladders & Access Equipment

Workwear And Safetywear

Clothing
Safety Equipment

Ironmongery

Fixings And Fastenings
Security
Other Ironmongery

Landscaping

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

Plumbing Heating & Electrical

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

Renewables And Water Management

Water Saving
Renewables & Ventilation

Kitchens & Bathrooms

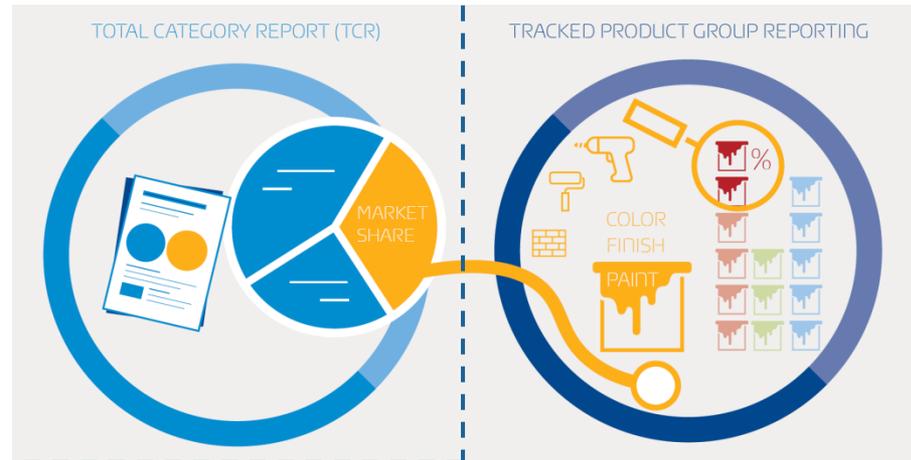
Bathroom (Including Showering)
Fitted Kitchens
Major Appliances

Miscellaneous

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

Services

Toolhire / Hire Services
Other Services



In-depth product group reporting

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

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

Available categories:

Heavyside

Bricks
Insulation

Lightside

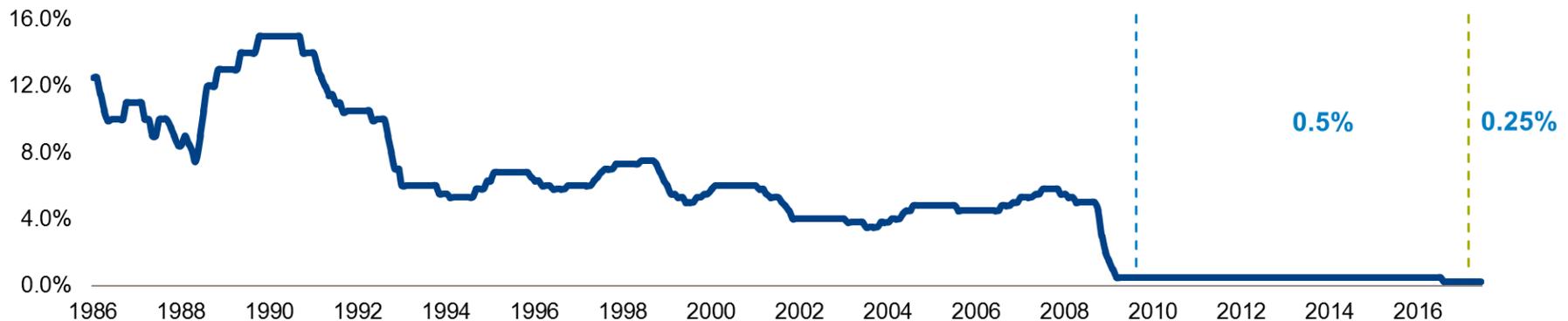
Emulsion Paints (incl. Masonry & Base)
Trim Paints
Primers/Undercoats
Woodcare
Adhesives
Sealants
Fillers/PU Foam
Tile Fixing (Adhesives/Grout)

Macro factors impacting Merchants



Bank interest rates

Set monthly by the MPC (Monetary Policy Committee)



Source: Bank of England

© GfK August 17, 2017

Macro factors impacting Merchants



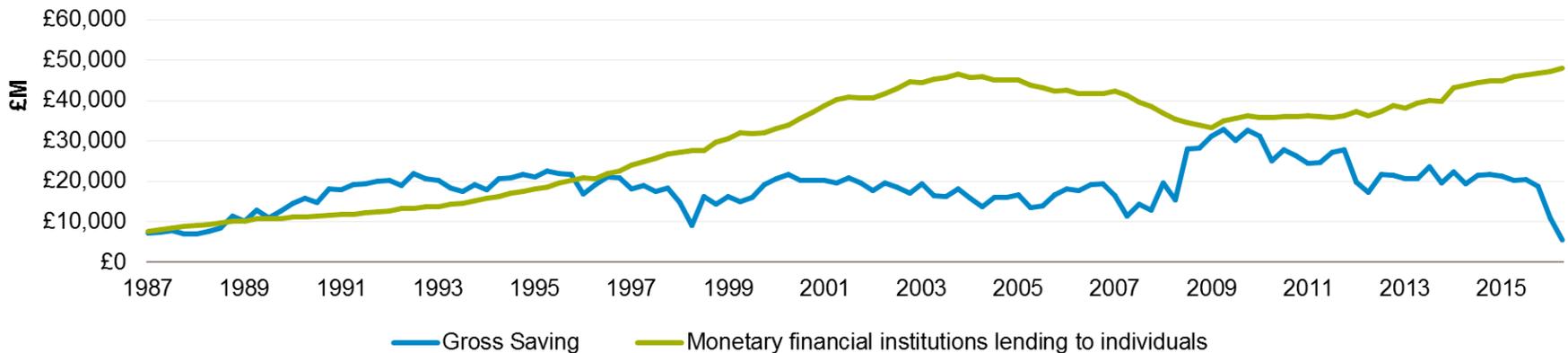
Comparing borrowing to saving

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 occurred again as we entered 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 and consumer spending outstrip savings.

- Lending to individuals increased 4.5% in Q1 2017 compared to the same quarter in the previous year.
- Gross savings, as measured by the National Office of Statistics continued its dramatic decline in Q1 2017, falling over 70% compared to the previous year



Source: Office for National Statistics

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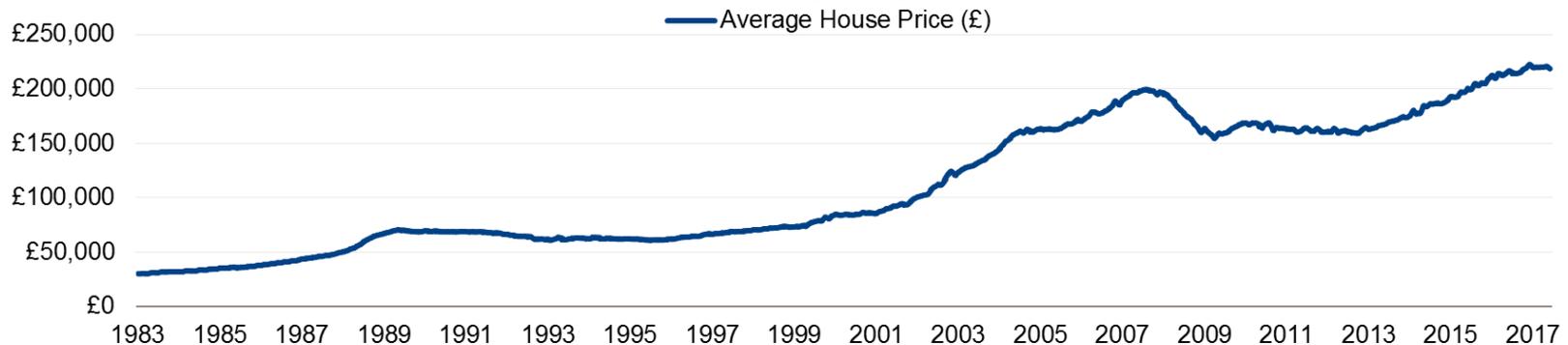


Standardised average house prices

Average Price (year end)		
2000	£84,868	+36%
2005	£163,139	+92%
2010	£168,390	+3%
2013	£174,220	+3%
2014	£189,426	+8%
2015	£208,286	+10%
2016	£222,190	+7%

- The housing market has seen an easing in house price inflation over the last 6 month.
- This follows a period of sustained growth, fuelled by the economic recovery and rising employment

- At the end of June 2017, the average house price in the UK fell to £218,390 from £220,515 in May 2017.



Source: Halifax House Price Index

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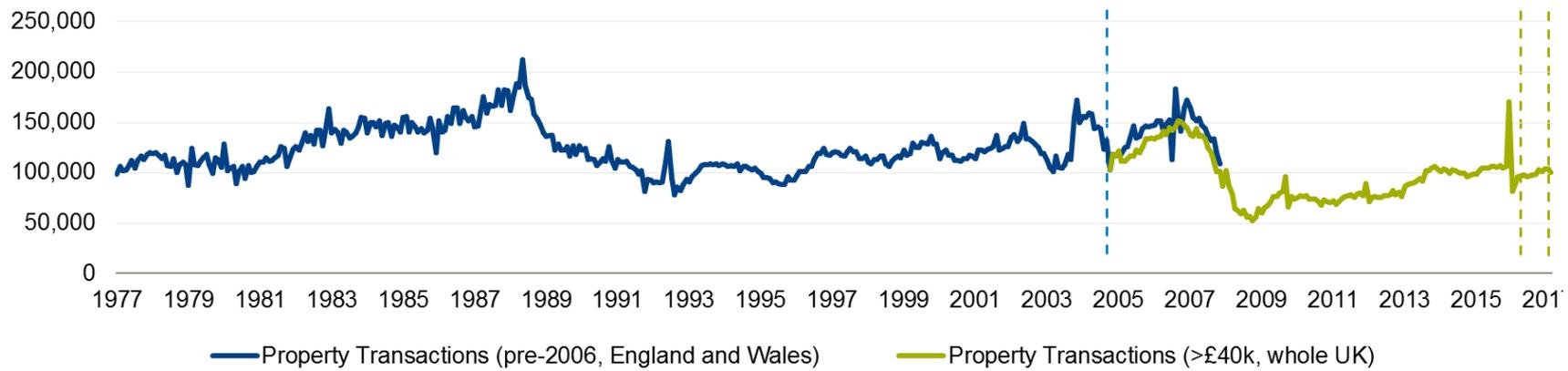
Property transactions

Monthly transactions, residential, seasonally adjusted

Annual total	
2009	847,540
2010	879,050
2011	883,770
2012	932,000
2013	1,067,700
2014	1,223,120
2015	1,228,710
2016	1,234,500

- Stamp duty was altered significantly on 1st December 2003
- April 2016, major changes to the amount of Stamp Duty property investors will have to pay when purchasing a second home or a buy to let property

Provisional levels of seasonally adjusted property transactions fell 3.3% in June 2017 compared to the previous month.



Source: HM Revenue & Customs

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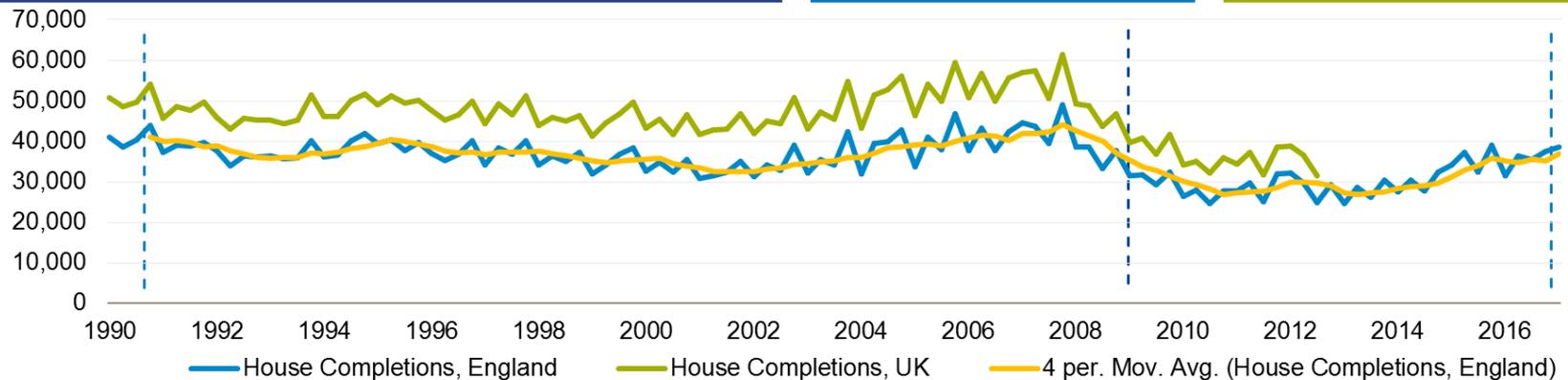
New house builds

Quarterly

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

Looking at a 4 period moving average, the recent trend of continued growth had stalled in 2016. However, it appears to have started off 2017 with a period of growth.

In Q1 2017, 38,490 permanent dwellings were completed, compared to Q1 2016 figures of 31,410 (+22.5%)
Next quarterly update 24th August 2017



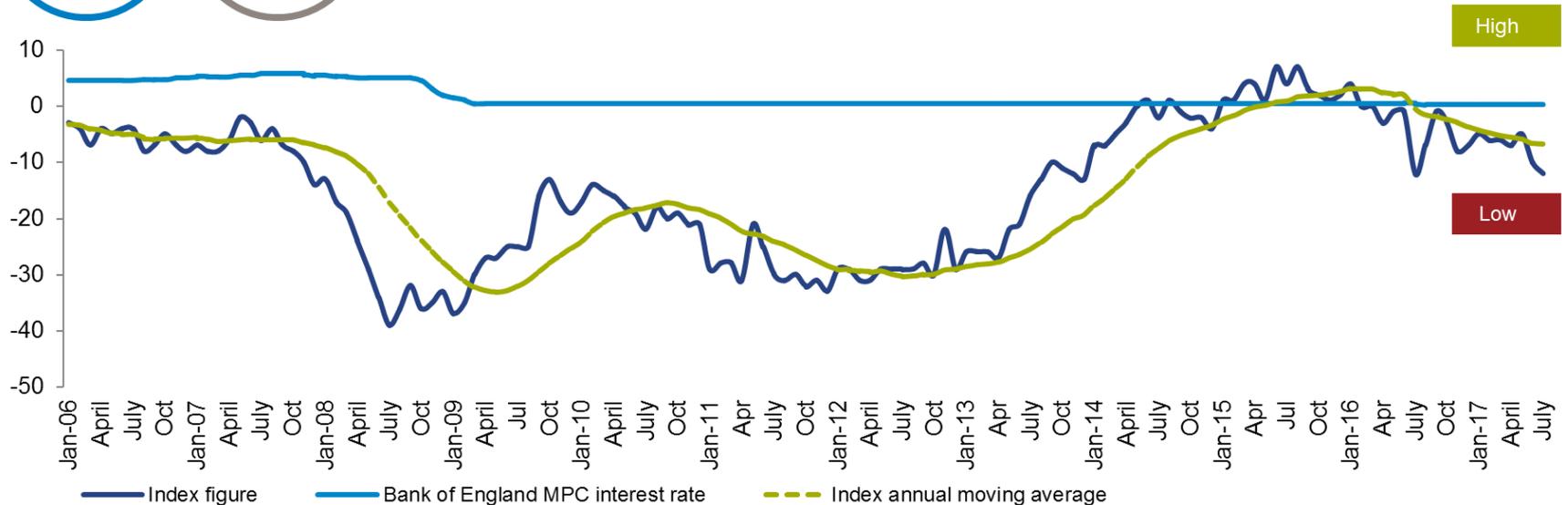
Source: GOV.UK

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Consumer Confidence Index



The Index Score is calculated using the results of five questions (1,2,3,4, and 8). The mean score from each of these five questions is combined and the Index Score is the average.

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