

“building **excellence**
in materials supply”

Builders Merchant Building Index



Quarter 1 2019

Building the Industry & Building Brands from Knowledge



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Introduction



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

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

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

More data available

This BMBI report provides valuable top-level indices but there's considerably more data available. GfK insights go much deeper and include sales value data. GfK can quantify market values and drill down into contributing categories, tracing product group performance, to focus on aspects that are critical to you.

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

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

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

Overview and Insights

Richard Frankcom, Key Account Director, GfK



Still a part of the EU and uncertainty playing havoc with investment for many UK business, it would have come as little surprise if I'd been reporting a slow start to 2019. However, on a yearly like for like basis, quarter one 2019 delivered great growth. The total market was up 5.9% in value terms for the quarter. It was driven by Timber and Joinery up 6.6%, Heavy Building Materials up 6.8% and Landscaping flying high with value growth of 15.6%.

This growth can be attributed to a couple of factors. Firstly, and mainly, there was a much better start to the year from a weather perspective. Last year, January was a little warmer but much wetter, and the 'Beast from the East' hit late February and early March with the 'Mini Beast from the East' coming back to disrupt later in the month. This forced the trades to down tools and move inside, delaying the start to many projects. Additionally, 2019 gains can also be attributed to a late Easter as 2018's Good Friday fell on the 30th March, further hitting the end of an already poor trading quarter.

We can see this impact clearly in the March numbers for 2019 as external work-related sub-categories thrived. Bricks, Blocks & Damp proofing and Cement & Aggregates, the two biggest individual Heavy Building sub-categories, and Timber the biggest sub-category in Timber and Joinery, all delivered more than 10% value growth for the month year-on-year. Landscaping saw an even greater increase with the total category growing 25.6% in March year-on-year, with the largest gains in Fencing, Decking and Garden Walling & Paving.

This time last year, I wrote that we'd be judging the year by how Merchant's quarter two performed, and would we see a recovery from the weather damaged start to the year? We did. This year it's more about how the political situation will affect consumer and business confidence. With value growth still outstripping volume, inflation will be putting the squeeze on already cautious consumers. They are a substantial proportion of the repair, maintenance and improvement market for SME tradespeople, and any slowdown in house prices may slow the larger housebuilders' land turn, which will further hit trade. Time will tell, but some political clarity would really help.

“The total market was up 5.9% in value terms for the quarter. It was driven by Timber and Joinery up 6.6%, Heavy Building Materials up 6.8% and Landscaping flying high with value growth of 15.6%.”

Merchants' View

John Newcomb, CEO BMF



Another quarter where Brexit dominated the news agenda. By now the UK should have left the EU giving businesses and homeowners alike some clarity regarding the shape of our post-Brexit economy. Instead, the uncertainty will continue for at least one more quarter of the year, if not more. Do we have any indication how this is likely to impact merchant sales?

The continuing uncertainty over the UK's withdrawal from the EU prompted the Construction Products Association (CPA) to downgrade its forecasts for UK construction activity. In February the CPA forecast marginal growth in 2019 of 0.3%. In April this was revised to overall construction falling by 0.4% this year.

That said, the worst affected sectors are likely to be those requiring high upfront initial investment, commercial offices and industrial factories. The CPA noted that smaller domestic projects have been less affected by Brexit uncertainty as households have switched off from reading about it. While employment is high and real wages rising, homeowners continue to spend and this positive trend is reflected both in the BMBI figures for Q1 and in those from the Office of National Statistics (ONS).

The ONS reports construction output increased by 1.0% in Q1 2019, driven by repair and maintenance output which increased by 2.9%. Within this, private housing repair and maintenance performed even better, increasing by 4.0% over the previous quarter.

A note of caution was sounded in the Federation of Master Builders' Q1 State of Trade Survey which found that workloads for SME construction firms have taken a dip for the first time in six years. More respondents (29%) stated lower workloads in Q1 2019 compared with the final three months of 2018 (13%). However this could be a blip, as their expectations for the future strengthened with 41% of FMB members forecasting higher workloads in Q2 2019, up from 33% in Q4 2018.

While we are still living in uncertain times, overall the picture remains fairly positive for our sector.

“While employment is high and real wages rising, homeowners continue to spend and this positive trend is reflected both in the BMBI figures for Q1 and in those from the Office of National Statistics.”

Monthly: Index and Categories

March 2018* – March 2019

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



MONTHLY SALES VALUE INDEX	2018											2019		
	Index	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Builders Merchants	100	112.2	116.1	129.4	127.6	129.1	124.7	118.4	131.8	122.5	77.4	107.8	108.7	121.6
Timber & Joinery Products	100	112.9	115.9	126.7	126.2	131.1	129.3	124.7	137.2	126.8	79.9	114.7	112.2	123.3
Heavy Building Materials	100	110.8	115.9	128.7	128.0	128.8	123.9	117.8	132.4	121.8	75.6	106.6	108.1	121.2
Decorating	100	106.5	106.6	117.0	114.9	119.4	117.2	112.0	124.6	116.1	78.8	104.6	103.3	114.6
Tools	100	111.2	105.1	110.5	113.3	112.5	109.7	108.0	123.2	117.8	73.0	100.3	99.8	108.8
Workwear & Safetywear	100	108.3	100.2	96.0	95.7	95.9	98.3	107.5	123.5	129.5	79.9	111.5	96.8	101.5
Ironmongery	100	118.0	117.3	125.7	123.9	128.8	124.4	117.9	133.6	129.3	84.5	120.8	115.5	125.2
Landscaping	100	104.8	132.1	170.4	164.1	156.6	142.4	122.8	126.0	106.1	64.0	87.1	98.2	131.6
Plumbing, Heating & Electrical	100	136.1	120.4	122.7	117.1	116.8	114.5	120.4	141.1	146.5	96.9	130.8	125.7	131.2
Renewables & Water Saving	100	79.8	74.2	70.4	75.0	73.5	64.8	67.8	76.4	68.5	45.8	69.3	65.7	78.5
Kitchens & Bathrooms	100	120.3	111.9	119.2	117.8	121.4	118.4	113.0	122.5	128.2	81.2	109.5	115.3	122.8
Miscellaneous	100	114.2	111.3	120.5	115.3	116.8	113.9	106.6	126.3	119.1	85.1	122.7	111.6	115.1
Services	100	107.3	109.6	125.4	116.9	121.1	120.1	106.9	125.1	114.2	79.9	94.5	99.7	102.3

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

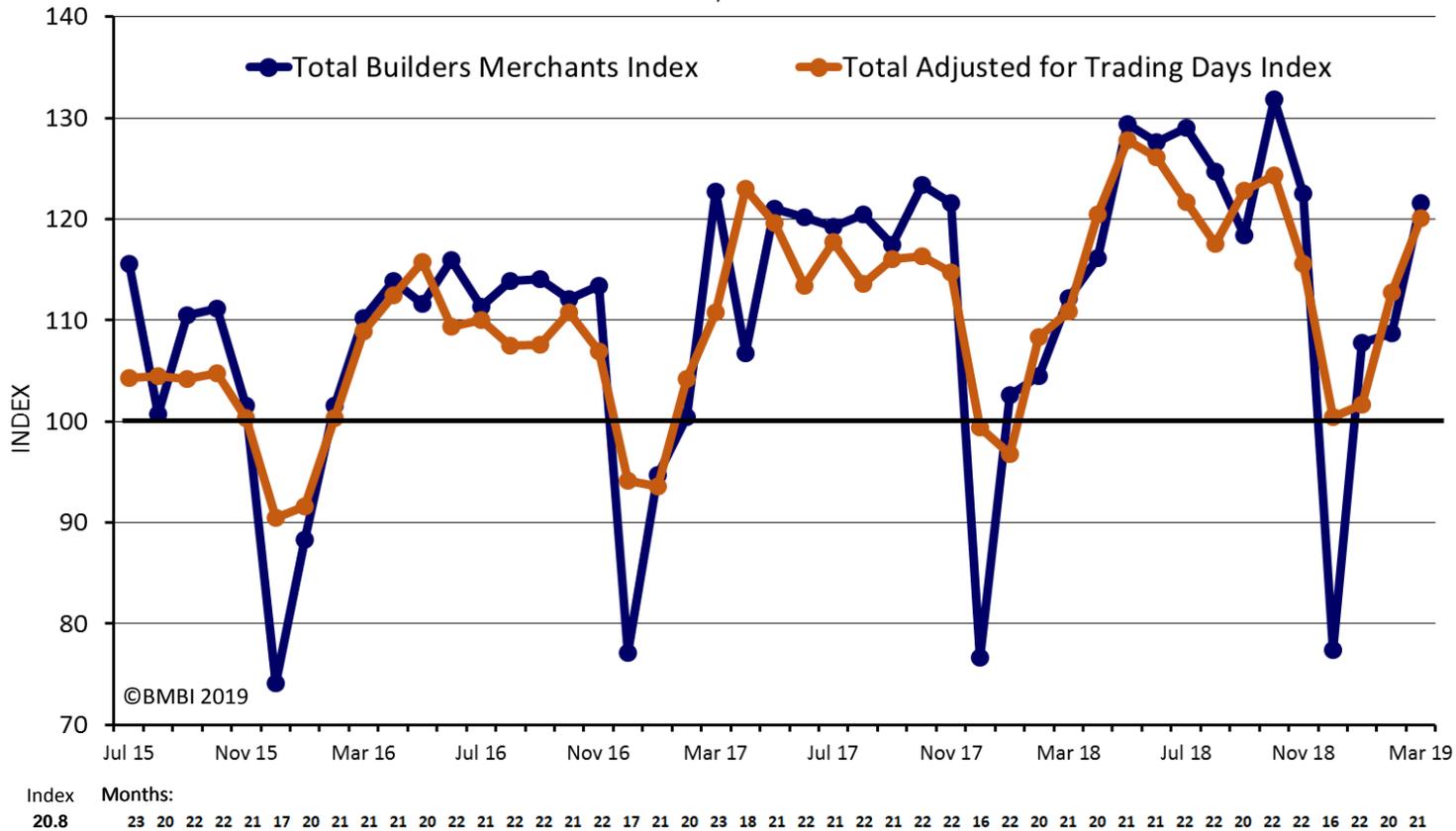
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2019

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 March 2019

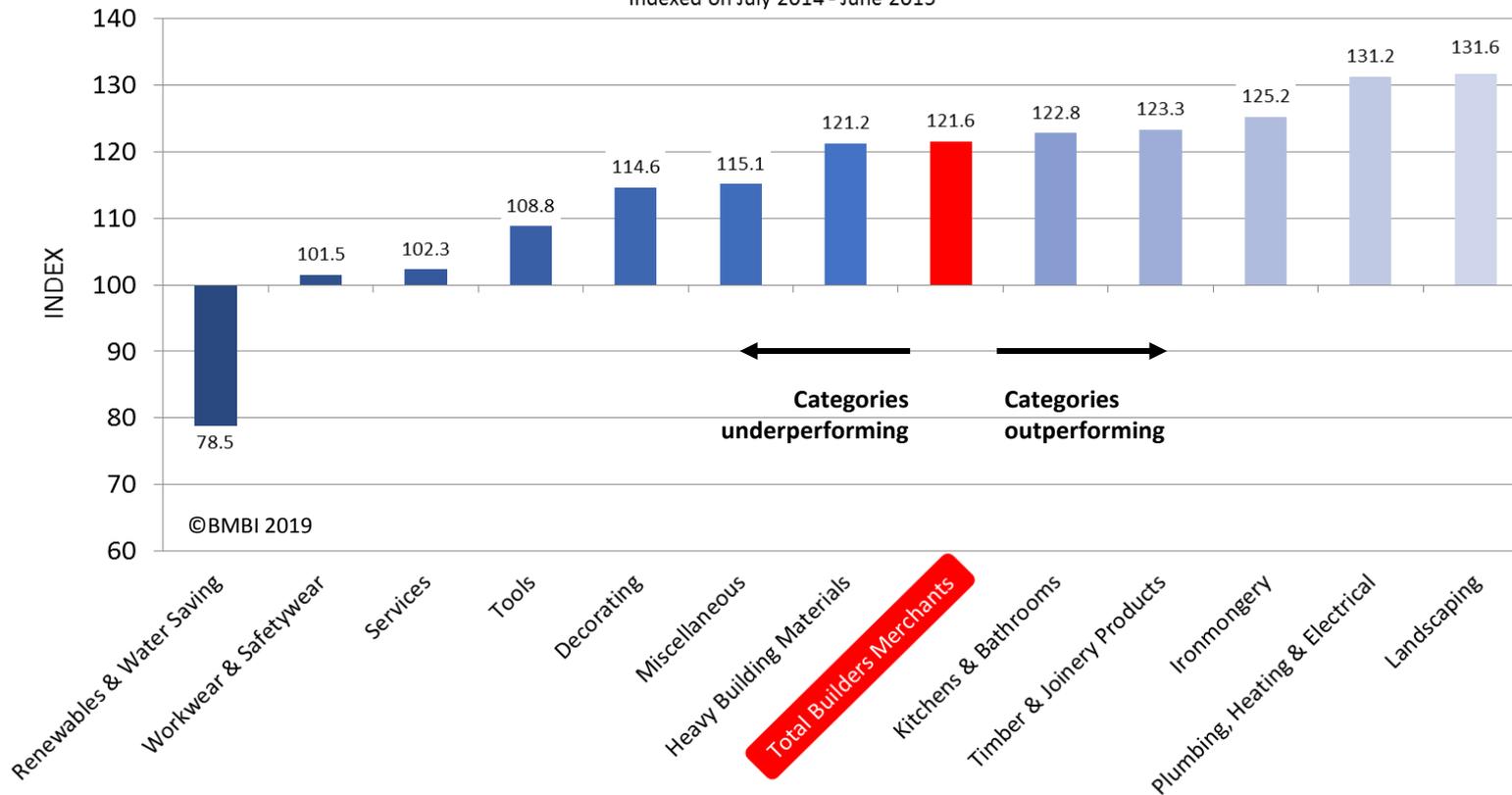
Monthly: Index and Categories

March 2019 index



March 2019 Index

Indexed on July 2014 - June 2015



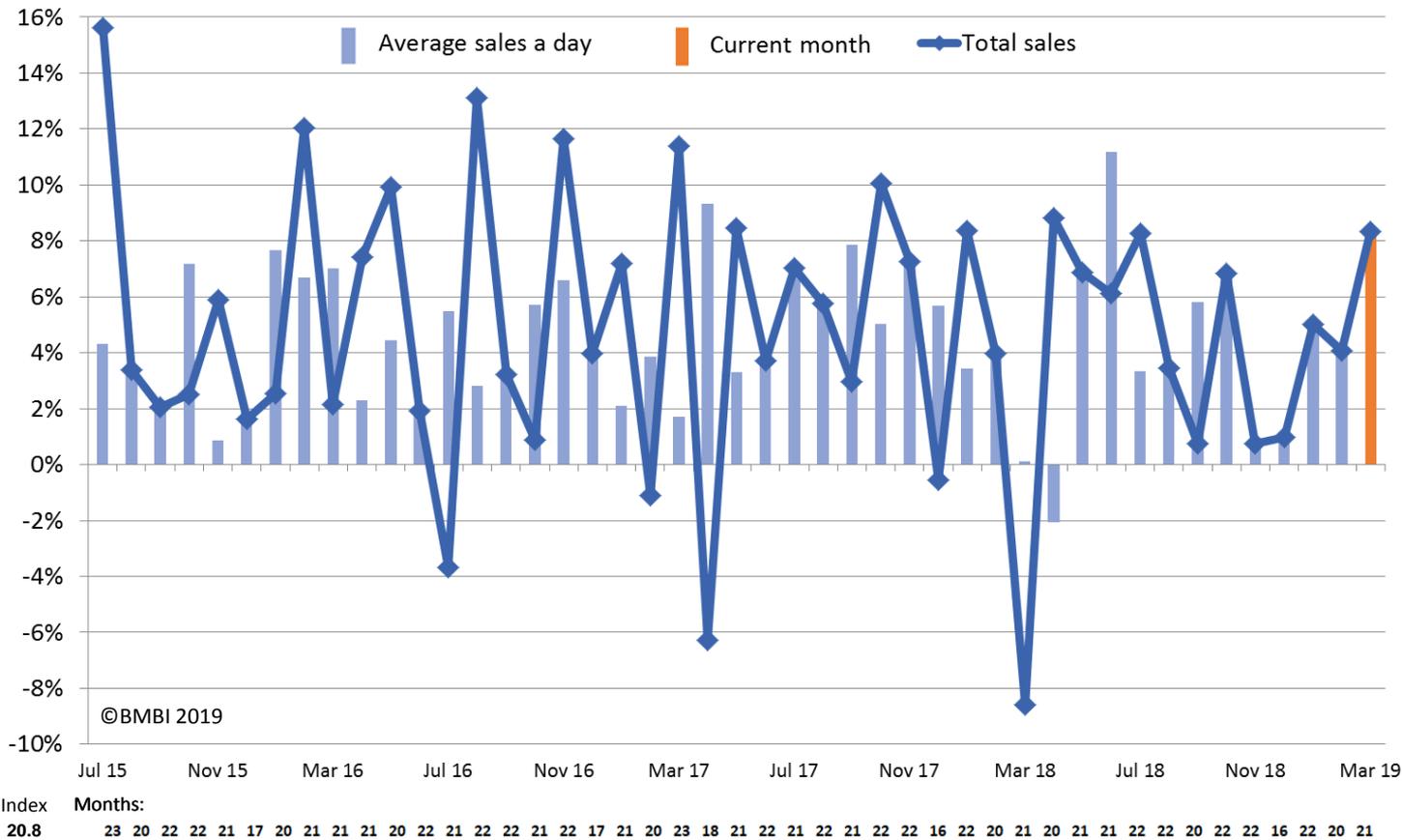
©BMBI 2019

 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2019

Monthly: Sales Indices

Adjusted and unadjusted for trading days

Monthly: Year on Year



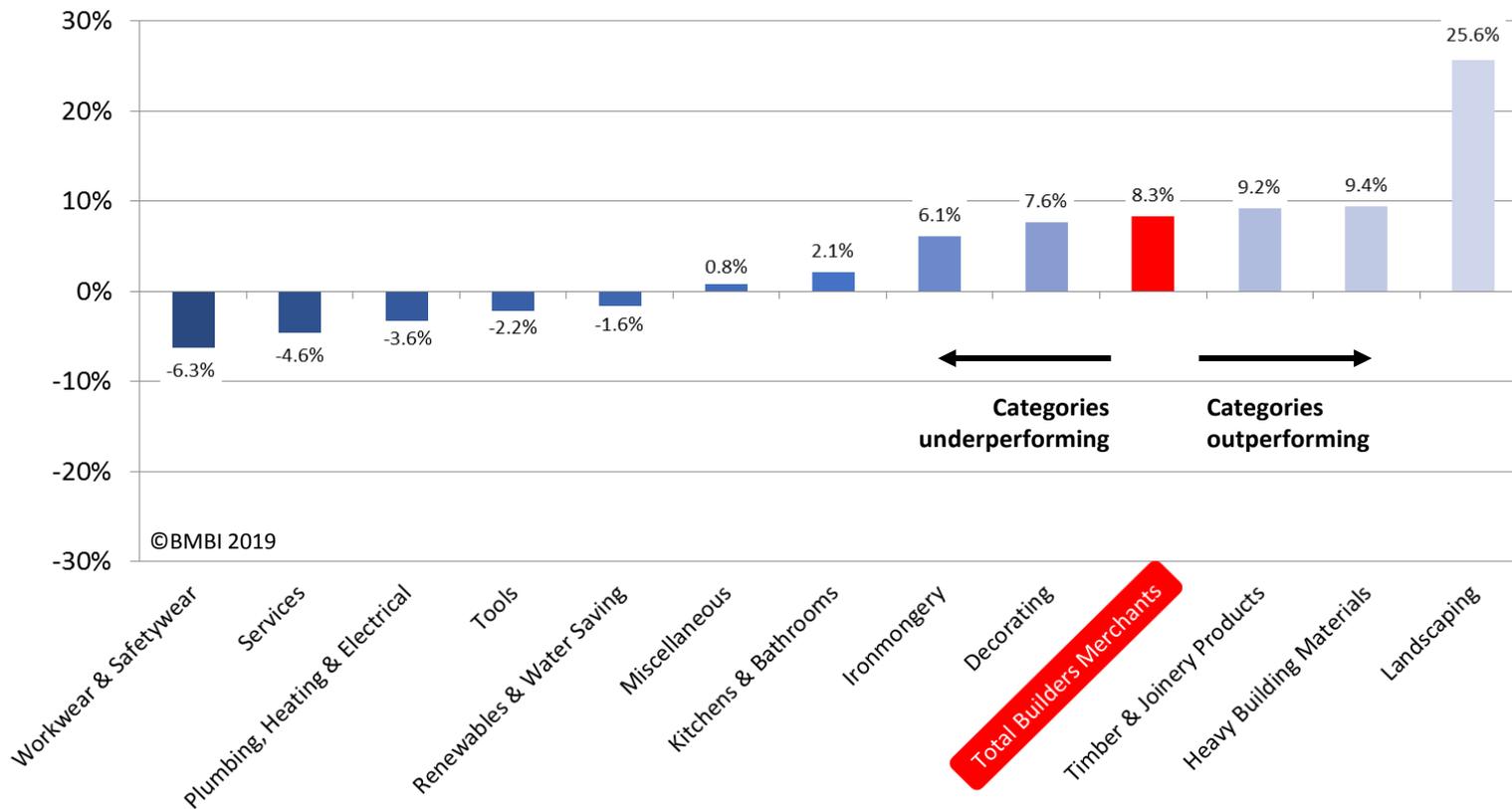
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2019

Monthly: This year v last year

March 2019 sales indices



March 2019 index v March 2018 index

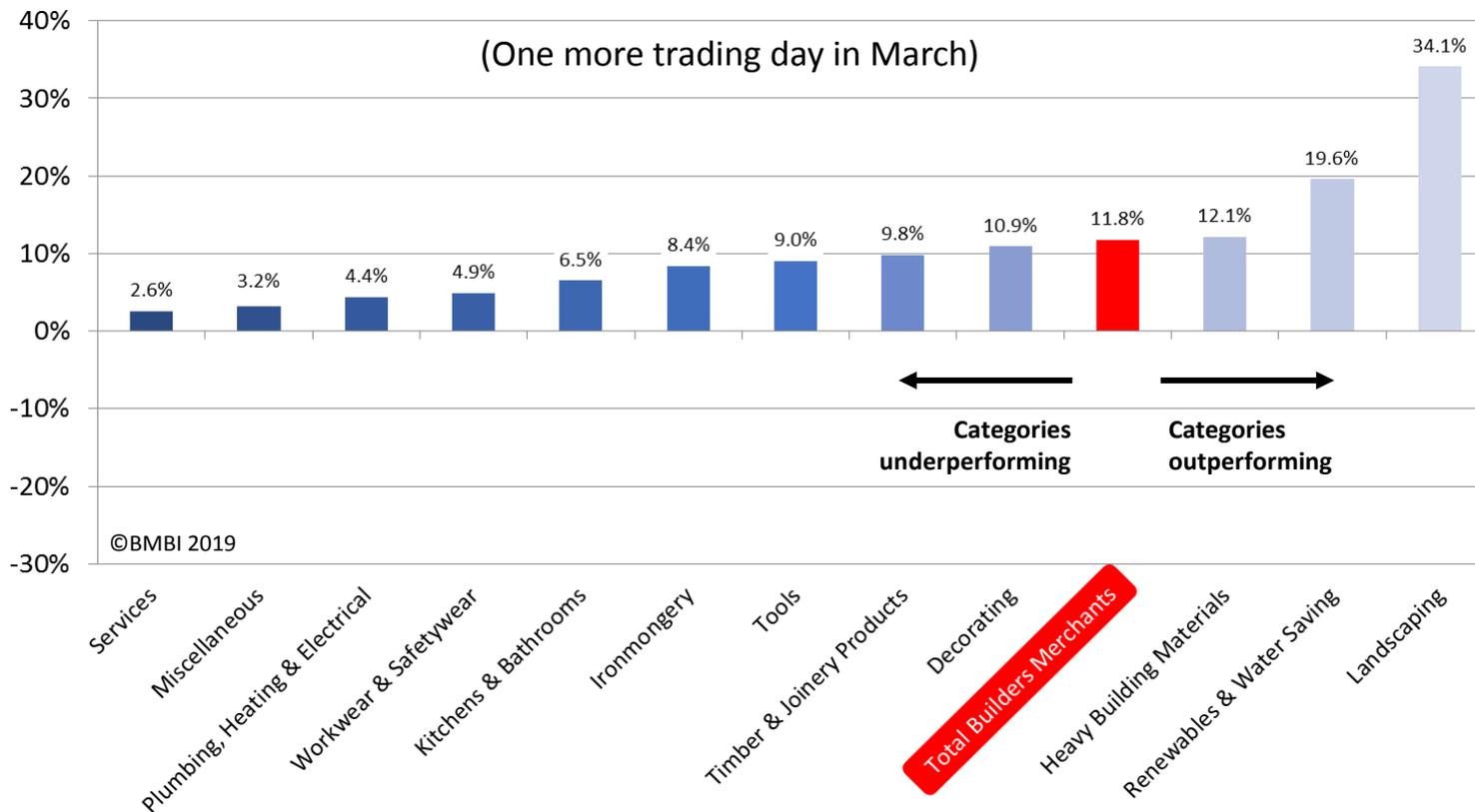


GfK Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2019

Monthly: This month v last month

March 2019 sales indices

March 2019 index v February 2019 index

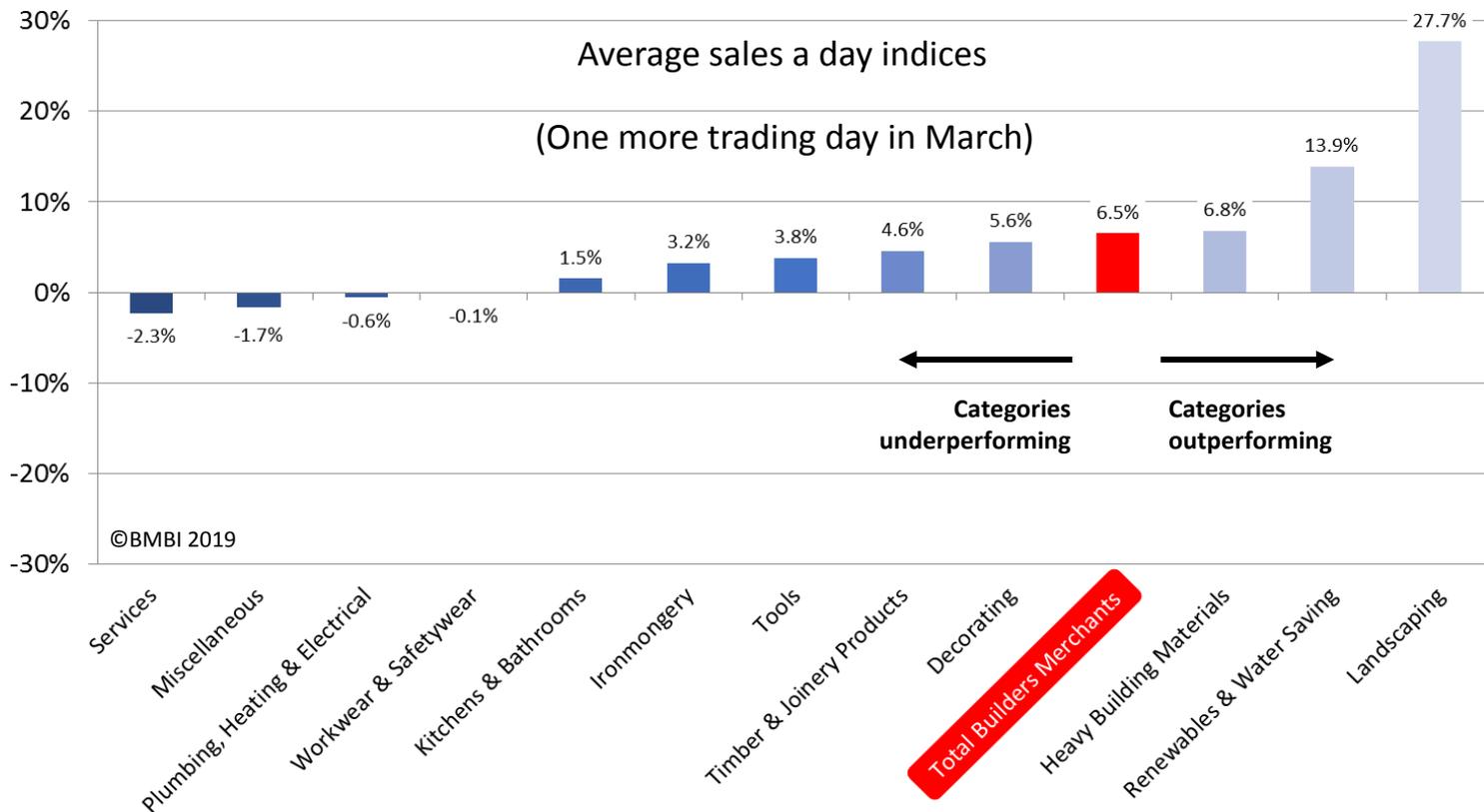


GfK Source: GfK's Builders Merchants Total Category Report July 2015 to March 2019

Monthly: This month v last month

Average sales a day indices

March 2019 index v February 2019 index



 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2019

Quarterly: Index and Categories

Quarter 1 2018* to Quarter 1 2019

(Indexed on July 2014 to June 2015)



QUARTERLY SALES VALUE INDEX	Index	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019
Total Builders Merchants	100	106.4	124.4	124.0	110.6	112.7
Timber & Joinery Products	100	109.5	122.9	128.3	114.7	116.7
Heavy Building Materials	100	104.9	124.2	123.5	109.9	112.0
Decorating	100	103.0	112.8	116.2	106.5	107.5
Tools	100	104.2	109.6	110.1	104.7	103.0
Workwear & Safetywear	100	110.9	97.3	100.6	110.9	103.2
Ironmongery	100	117.8	122.3	123.7	115.8	120.5
Landscaping	100	91.4	155.5	140.6	98.7	105.6
Plumbing, Heating & Electrical	100	129.5	120.1	117.2	128.1	129.2
Renewables & Water Saving	100	77.1	73.2	68.7	63.6	71.2
Kitchens & Bathrooms	100	114.6	116.3	117.6	110.6	115.9
Miscellaneous	100	113.9	115.7	112.4	110.1	116.5
Services	100	98.9	117.3	116.1	106.4	98.8

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

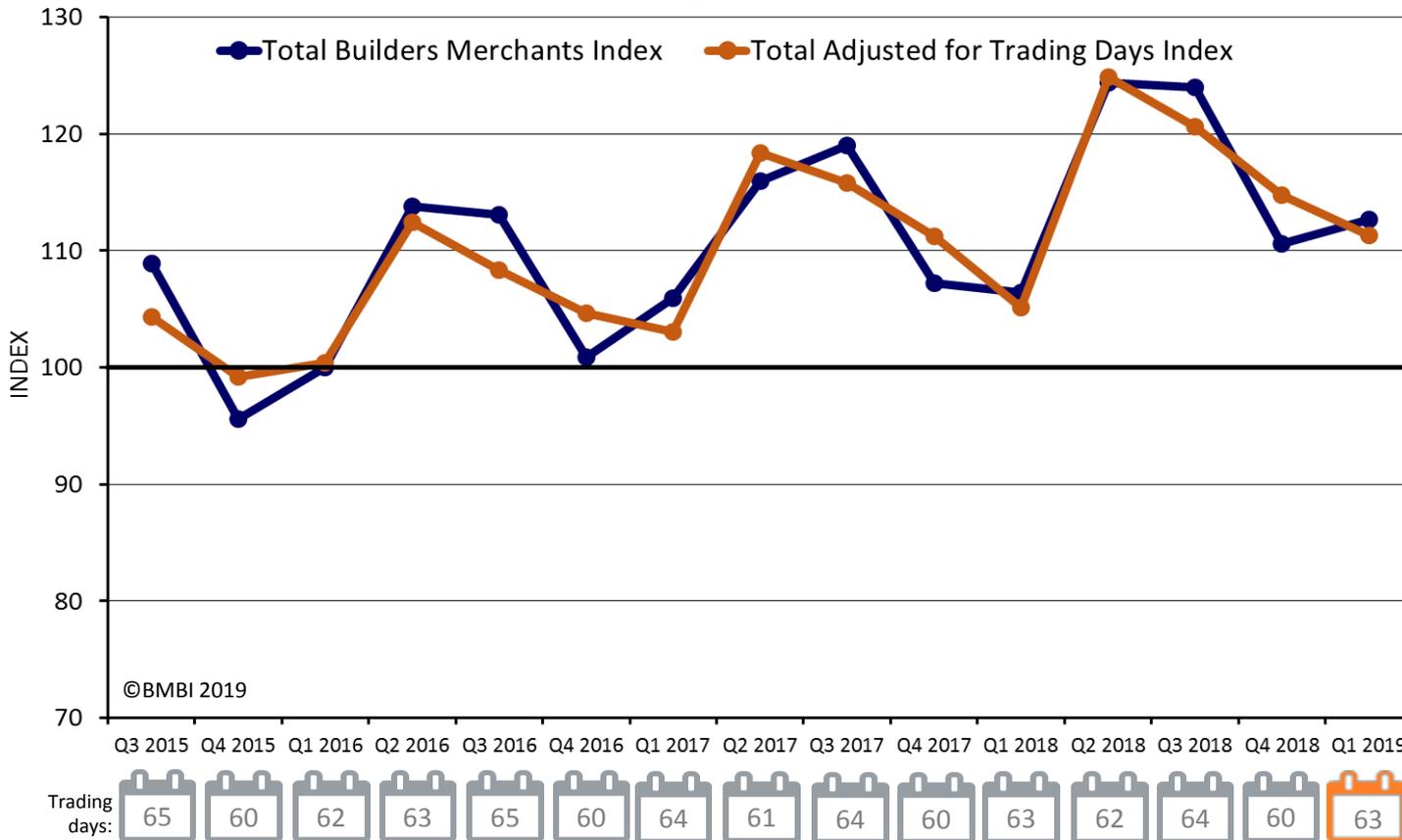
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2019

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



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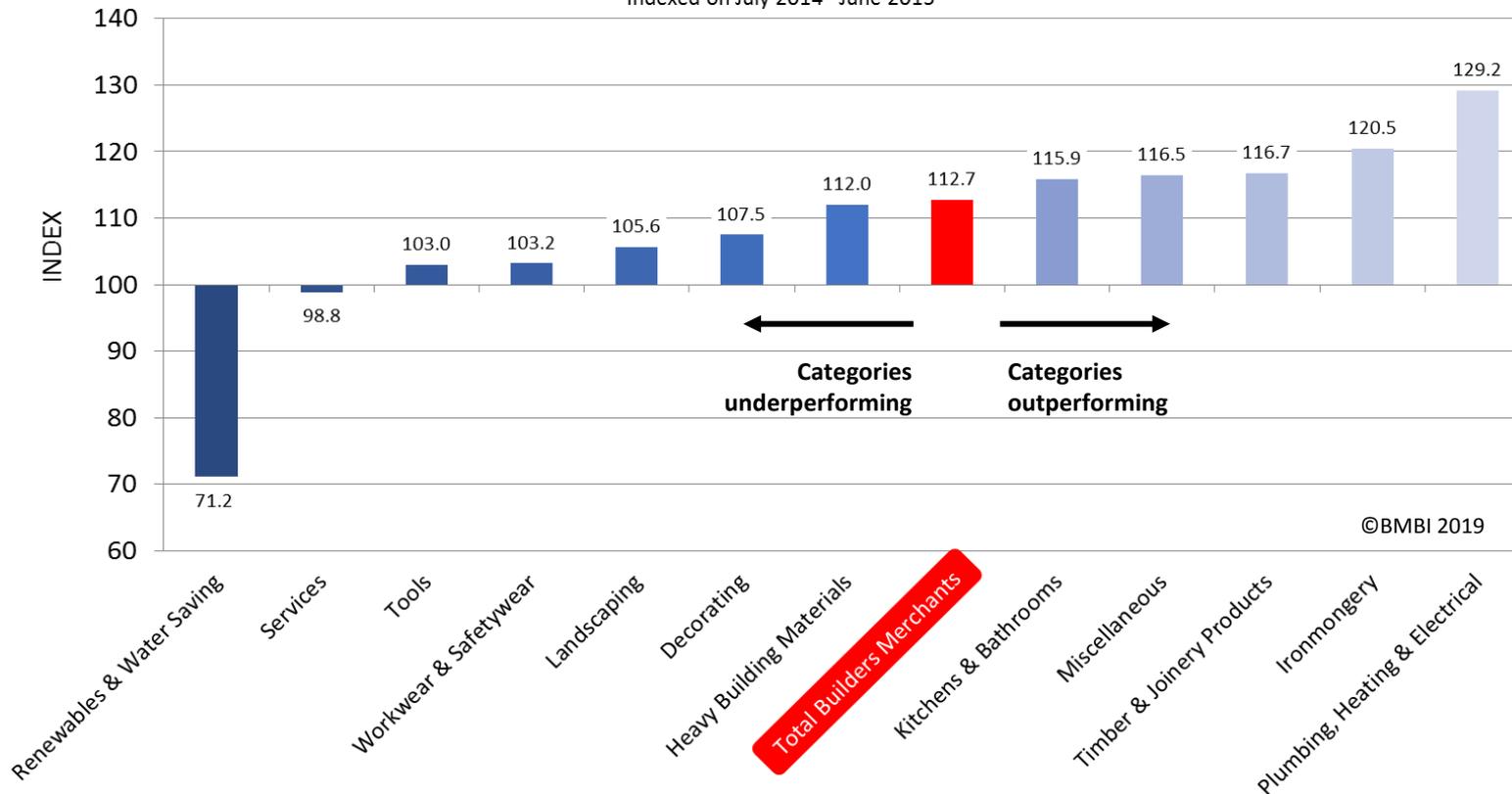
 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2019

Quarterly: Index and Categories

Q1 2019 index

Quarter 1 2019

Indexed on July 2014 - June 2015



 Source: GfK's Builders Merchants Total Category Report July 2015 to March 2019

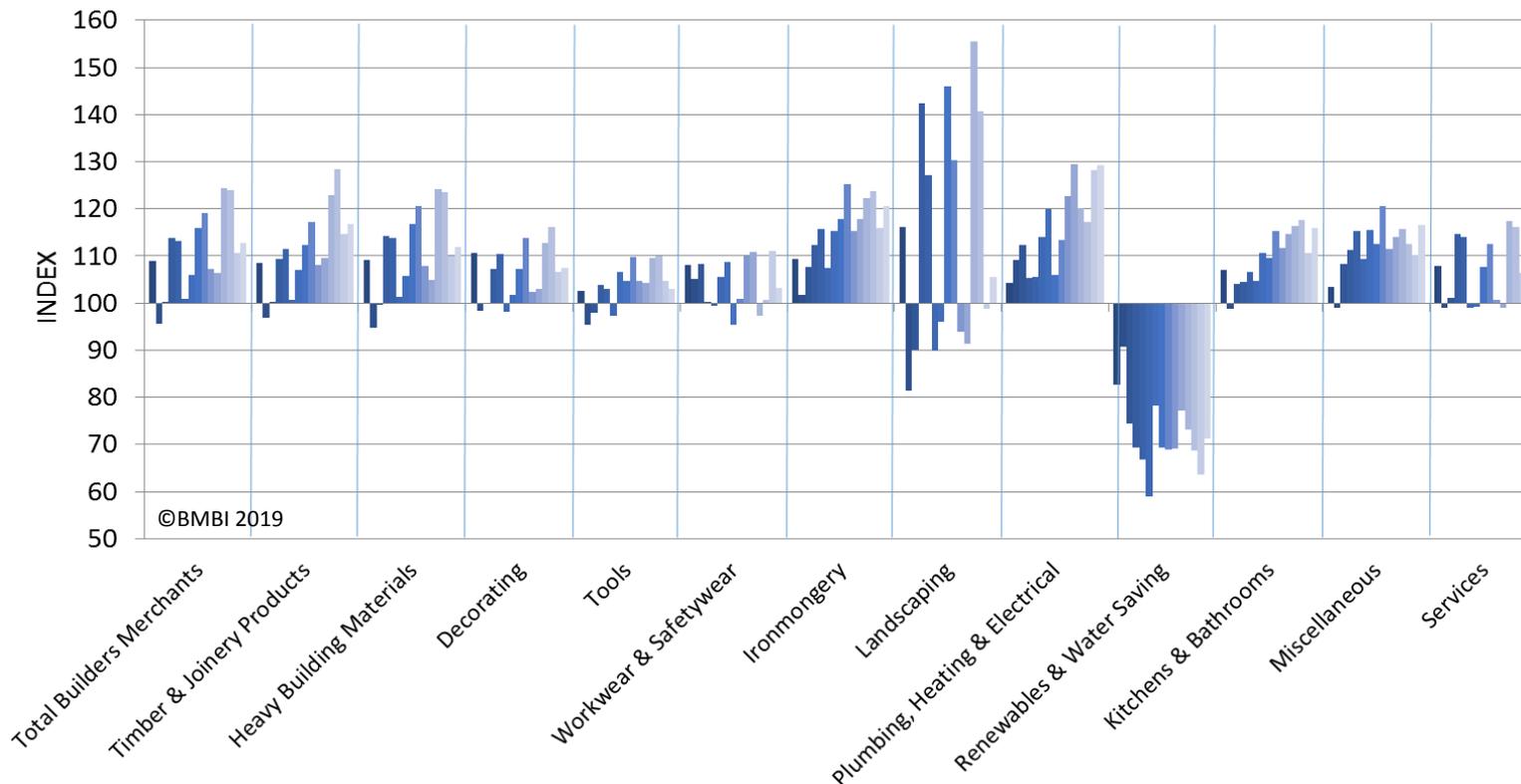
Quarterly: Index and Categories

Quarterly indices

Quarterly Indices

Indexed on July 2014 to June 2015

Chart shows quarterly indices, by category, from Q3 2015 (darkest blue) to Q1 2019 (lightest blue)

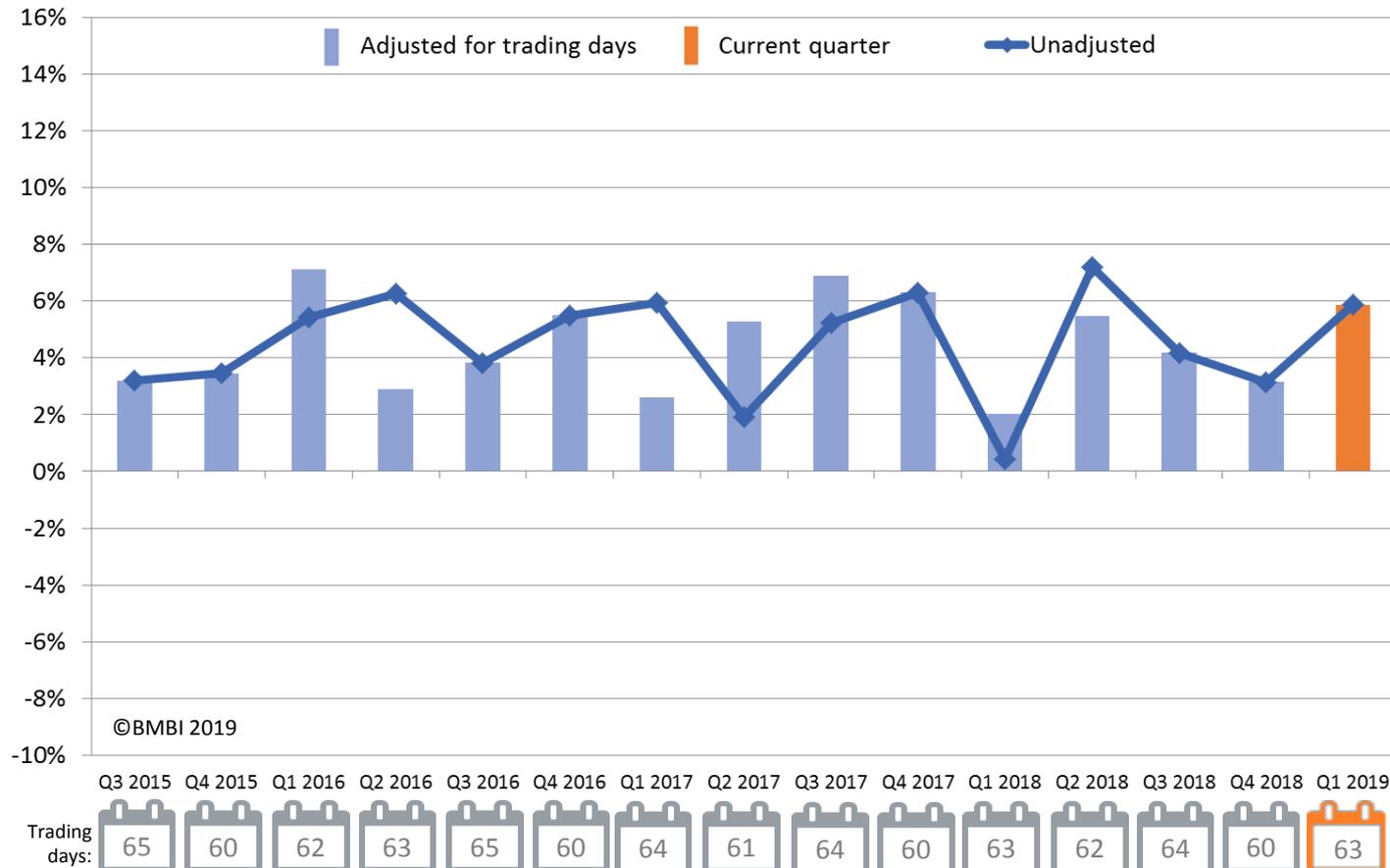


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2019

Quarterly: Sales Indices

Adjusted and unadjusted for trading days

Quarterly Indices: Year on Year

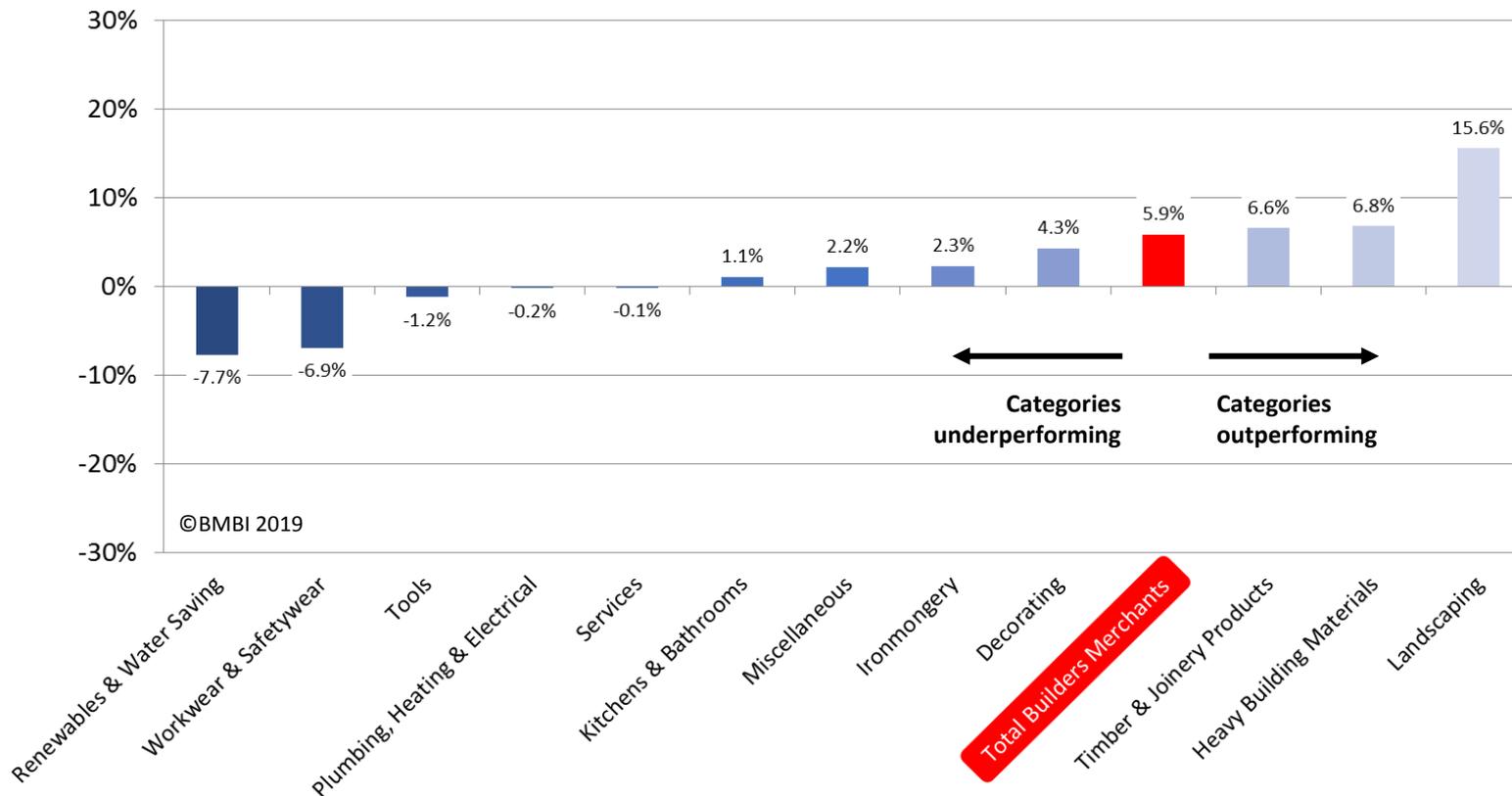


 Source: GfK's Builders Merchants Total Category Report July 2015 to March 2019

Quarterly: This Year v Last Year

Q1 2019 sales indices

Quarter 1 2019 index v Quarter 1 2018 index

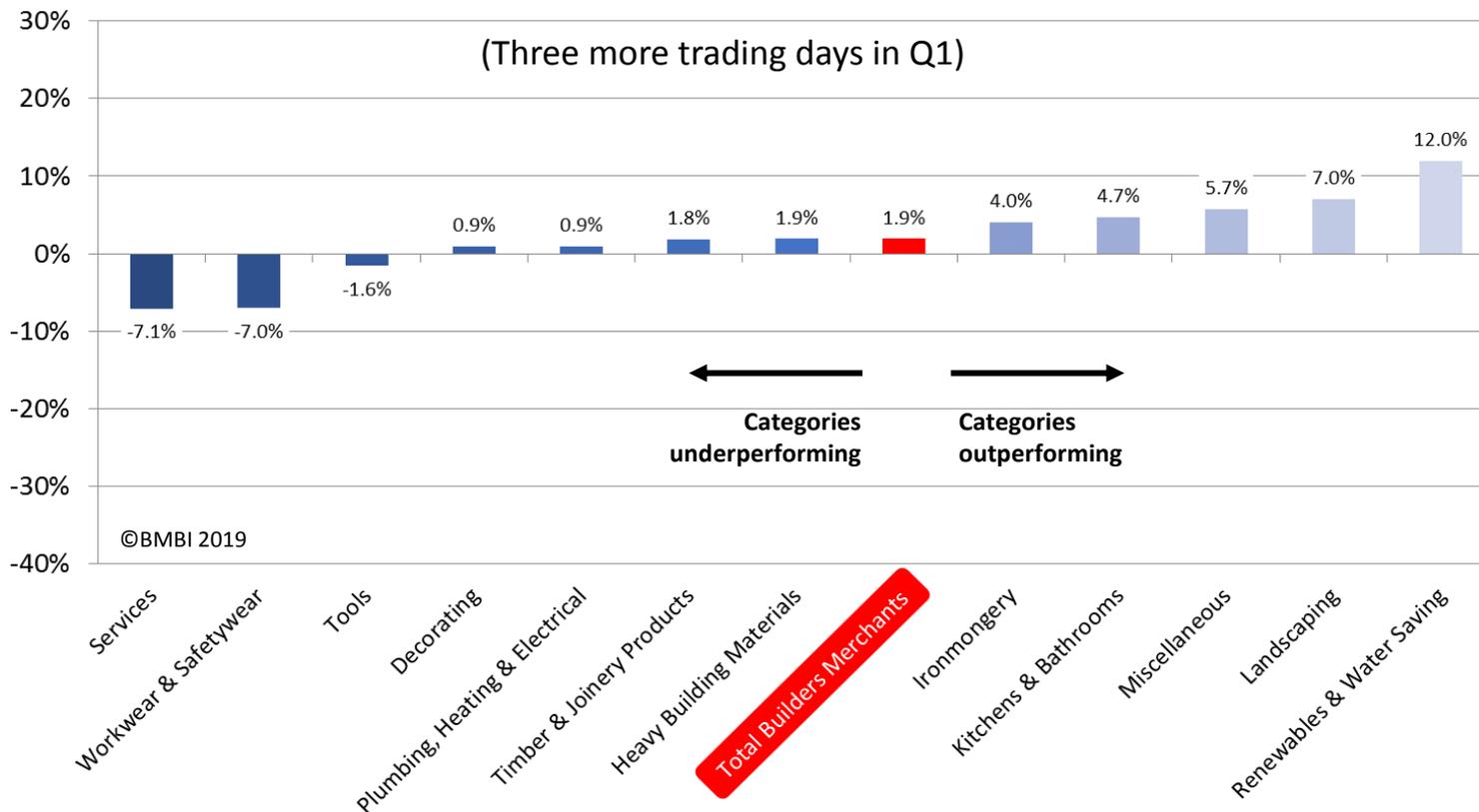


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2019

Quarterly: Quarter on Quarter

Q1 2019 sales indices

Quarter 1 2019 index v Quarter 4 2018 index

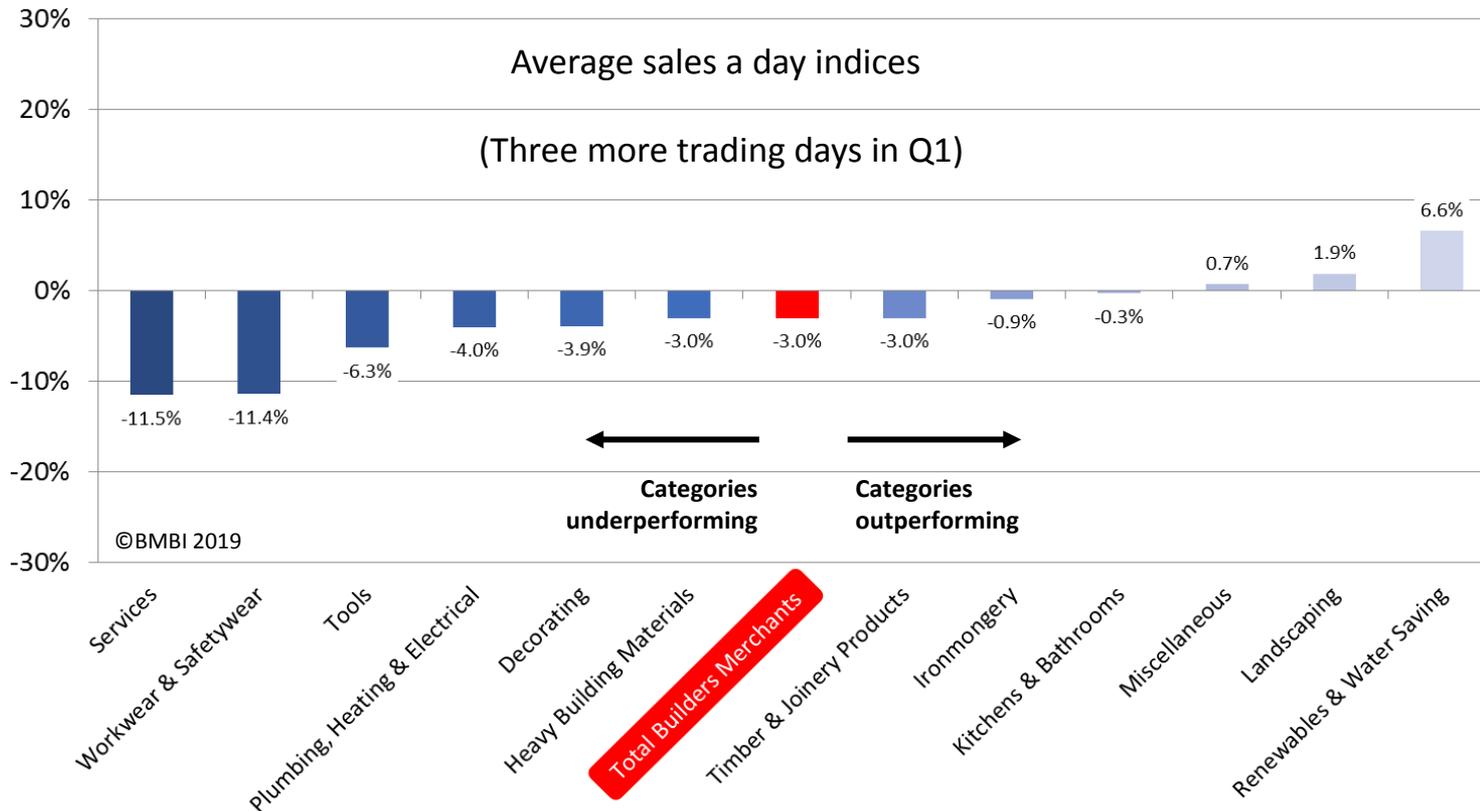


 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2019

Quarterly: Quarter on Quarter

Average sales a day indices

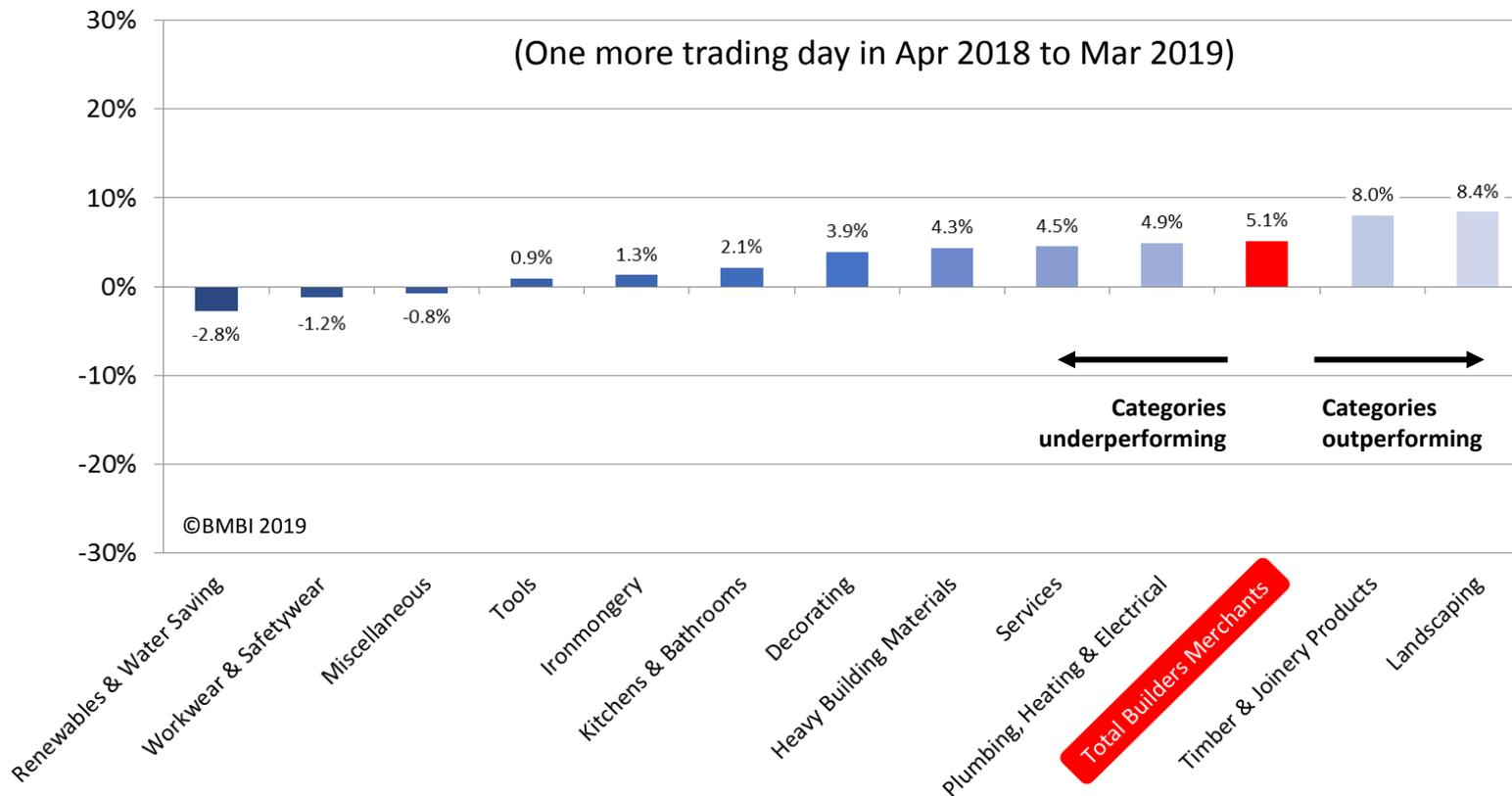
Quarter 1 2019 Index v Quarter 4 2018



 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2019

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

12 months Apr 18 to Mar 19 v 12 months Apr 17 to Mar 18



 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2019

Expert Panel

Shower Enclosures & Showering

(Part of Kitchens & Bathrooms)



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

Much as we'd like to, it's hard to block out the effects of Brexit on our lives and businesses. The public has had enough, according to polls. They'd like a quick conclusion one way or another so they can move on. Businesses too are in limbo. Unable to plan with any certainty and faced with a confusing array of potential outcomes with unknowable consequences - and with no means of controlling the end game - businesses are just getting on with what's in front of them.

They're frustrated by having to divert their time and focus from helping customers compete more effectively and grow, to focusing on minimising the potential disruption and delays from one of these outcomes so they can compete at all.

Whether shower enclosure companies have their products made for them, or they manufacture as Lakes does in its own factory, most companies import, mostly from China. So, all brands have to factor in shipping, long lead times, port access, currency movements - and road haulage for the final leg of the journey - so customers can sell without disruption.

Compared with March, there have been fewer delays caused by ships being diverted from UK ports, but it can take 48 hours getting through French ports as customs officials start flexing their muscles. The Road Haulage Association says there are not enough HGV drivers in the UK, and many EU nationals are returning home because their markets are good, wages are improving and there's plenty of work.

Many companies built up their stocks in Q1 to unprecedented levels to ensure continuity of supply in time for an unruly EU exit on 29th March. But carrying and funding up to five and half months' stock, for example, in the short term is quite different from carrying it through to October 31st, the postponed exit date or beyond. Will brands unwind their stocks and rebuild them again for October, or maintain them at these levels? What will people do, and how well prepared are they for the financial after-effects? That could be the elephant in the room.

“Many companies built up their stocks in Q1 to unprecedented levels to ensure continuity of supply in time for an unruly EU exit on 29th March. But carrying and funding up to five and half months' stock... is quite different from carrying it through to October 31st.”

Expert Panel

Paint

(Part of Decorating)



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

How do we sum up Q1? Uncertainty is the buzz word. Brexit didn't happen, but continued uncertainty puts heavy pressure on the trade paint forecast for 2019.

The trade paint market is expected to fall by 0.5% this year with low consumer confidence being a key influencer. Private Housing RMI (Repair Maintenance and Improvement) is by far the biggest sector for paint in the UK. This low consumer confidence translates into a reluctance to invest in those larger home improvement projects that are vital in driving paint volumes and the market in general. This is compounded by the fact that there are fewer homes for sale. A reduction in the number of house moves means fewer reasons to decorate.

But there is some good news! March was a terrific month, particularly compared to last year's performance in the extreme wintry weather. Categories worst hit last year now see double digit volume growth: exterior trim (+29%) and masonry (+24%). The masonry category was in decline before last winter but subsequently has recovered well. Perhaps better weather prompted a surge in desire to protect properties through painting? However, builders' merchants in general have not enjoyed the same levels of growth from the exterior category as other merchant channels. Maybe there are lessons to be learnt there.

In terms of market trends, the whites' category is gaining share at the expense of ready mixed colour. Colour mixing has remained broadly flat. With this continuing trend, it's important for manufacturers to innovate in the whites' category and for merchants to identify the opportunities to trade up. In the builders' merchants channel, the decorative category, although important, tends to be seen as a secondary category, a project completer. There are though, many examples of merchants using a targeted category approach, presenting decorative paint ranges well with simple, effective point of sale. They also reap the rewards of investing in product training for store staff to identify opportunities to trade up.

“The trade paint market is expected to fall by 0.5% this year with low consumer confidence being a key influencer.”

Expert Panel

PVC-U Windows & Doors

(Part of Timber & Joinery Products)



No.1 for choice • No.1 for colour



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

Last month the Builders Merchant News' annual Leading Lights supplement highlighted the stellar growth of national and top independent builders' merchants. Most have grown by acquisition or greenfield set up. A few have extended their geographical reach. Most are growing profitably too, but could they grow faster more profitably? Are they overlooking some larger, lower cost opportunities? Strategically, there are just two ways to grow: by acquisition along the A road, or organically via the O road.

Organic growth is lower cost, lower profile and lower risk, and comes easily in the early life of a business. But, maintaining that momentum requires sustained drive and a focus on new opportunities to develop potential markets on your doorstep. Many start buying growth through acquisition because they're no longer growing organically. Some because they see other builders' merchants growing much faster. But there are big largely untapped markets on their doorstep that can easily be tapped with the help of partners. The market for PVC-U windows, doors and conservatories for example is around £5bn, comfortably more than kitchens and bathrooms combined.

Builders can order supply-only windows and doors for a small extension all the way up to a supply and fit project worth £140,000 including VAT. Merchants' sales of bespoke PVC-U windows, doors and conservatories to this market are surging. They're growing fast because it's easy selling a complicated bespoke product with the right package, and it's easy selling to existing customers if the choice, quality and speed of service is better than they've been getting. And, adding an installation service gives merchants access to new incremental business by attracting builders and domestic customers who would never buy windows and doors or conservatories from merchants unless they installed them.

When you're looking to grow, what's not to like about the O road?

“Strategically, there are just two ways to grow: by acquisition along the A road, or organically via the O road.”

Expert Panel

Roof Windows

(Part of Timber & Joinery Products)



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

Q1 2019 has been a positive start to the year with good growth across New Build and the Repair Maintenance and Improvement (RMI) sector. Growth was again in double figures and even when adjusted for lost days due to last year's harsher winter weather, it was still at 9%.

The run up to March 29th meant considerable time, effort and expense preparing for Brexit and the 'deal or no deal' scenarios thrown at the construction industry. Thankfully the government secured an extension therefore avoiding the precipice. The vast majority of roof windows supplied to the UK and Ireland are manufactured in mainland Europe. The nightmare of delayed imports due to new customs checks would have affected the whole roof window industry.

Some manufacturers have tried to share the burden and cost of increased stocks with merchant partners. Instead, we decided to increase our stockholding at our new distribution centre at Burton Gateway. This new 40,000 sq ft facility has enabled us to broaden our stock range and substantially deepen our stock holding by up to 30%.

The first quarter also saw a small price increase introduced to the market driven mainly by labour, distribution and material inflation. This increase was minimised due to the strengthening in sterling which will bring some welcome relief to suppliers of products sourced in mainland Europe.

Keylite believes that product innovation is essential to drive growth and we have been working with our housebuilding partners to develop modern alternatives to traditional products. The Keyline Dormer product, for example, is one result. It can be installed and made watertight in just a couple of hours. For consumers looking for more control over ventilation and light from their roof windows, Keylite Connect provides full window control via a new App including a 'lock down' security function.

The roof window market provides a strong growth opportunity for those prepared to solve real problems – as well as work with the potential disruptions.

“Q1 2019 has been a positive start to the year...growth was again in double figures and even when adjusted for lost days due to last year's harsher winter weather, it was still at 9%.”

Expert Panel

Timber & Panel Products

(Part of Timber & Joinery Products)



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

Contingency planning for Brexit took up significant time in Q1. Ensuring continuity of supply was of the utmost importance as we sought clarity on importing protocols and procedures. Stock levels were increased to cover all eventualities so we start Q2 in a healthy stock position.

Timber and panel products continued to outperform many of the sectors in Q1, but it was clear that the economic uncertainty impacted on consumer confidence. Performance suffered during February and March. With good weather ahead we must remain optimistic for a stronger Q2.

Product availability is generally good. Producers have addressed the supply issues with panel products. Hardwood timber demand continues to increase for European and American timbers. There is also strong demand from developing markets such as India, Australasia and Latin America. The continuing trade war between America and China creates uncertainty which has the potential to impact on the availability of American or European oak.

African timber supply remains under pressure with the availability of Sapele, Iroko and Idigbo all a concern. The demand for Forest Stewardship Council (FSC) material is putting producers under increased pressure. With an increasingly environmentally aware audience, products certified by the FSC from sustainably managed sources are becoming more and more sought after. Merchants should consider alternatives, especially plantation-grown wood such as Red Grandis from Uruguay. Red Grandis is a high-quality durable hardwood that machines well and is easy to paint or stain.

The decking season is again upon us. We are happy to report that there is a good supply of hardwood decking available, typically Balau, as well as quality hardwood based composite decking for the less traditional.

The Timber Trade Federation (TTF), Wood Protection Association (WPA) and Timber Decking and Cladding Association (TDCA) are working to help produce clear guidance for cladding systems. The group will look at the importance of fire rated materials, construction products regulations and quality assurance schemes for fire rated products and installation.

“Contingency planning for Brexit took up significant time in Q1. Ensuring continuity of supply was of the utmost importance as we sought clarity on importing protocols and procedures.”

Expert Panel

Civils, Metal Rainwater & Drainage

(Part of Heavy Building Materials)



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

From our vantage point, the first quarter had a good start to the year across all sectors.

The market, civils in particular, was reasonably busy last quarter. As we noted in last quarter's report, the industry anticipates several major civil projects starting in 2019 including work on docks and regional airports such as Stanstead, Manchester and East Midlands.

Now that the Brexit saga is potentially rolling on until October, businesses in construction can at least move forward with a little more stability. There is far less talk about Brexit in the industry, despite all the sound and fury emanating from Westminster and the media. Companies are just getting on with the business of building. However, the uncertainty is manifest as a general reluctance to commit to investment in larger projects and schemes.

While the Builders Merchant Building Index (BMBI) figures are sales out from merchants to the market, other figures don't necessarily translate directly into market activity. We believe some Q1 activity may be overstated because a good number of suppliers (AWMS included) have been building additional stock in anticipation of the Brexit deadline. There is also a significant cost to carrying surplus stock for a prolonged period and this will be affected negatively by continuing delays in large projects. This cost of uncertainty could become an industry hangover later in the year.

On the plus side, the Grafton Group and Travis Perkins posted very positive first quarter results. Both these nationals contribute to the BMBI data and the good level of 'like for like' sales is a good barometer of industry activity.

As a good indication of civils, metal rainwater and drainage sales, AWMS' April sales came in at forecasted levels. May started slower and has not recovered with order intake levels less than forecasted levels.

Looking ahead, although enquiry levels are strong, project starts are continuing to be affected by uncertainty, lack of confidence, and delays.

“We believe some Q1 activity may be overstated because a good number of suppliers have been building additional stock in anticipation of the Brexit deadline. There is also a significant cost to carrying surplus stock for a prolonged period...”

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 (MPA) reported that seasonally adjusted demand for mineral products declined in Q1 2019 compared to Q4 2018. Aggregates, ready mixed concrete, mortar and asphalt all performed adversely compared to the previous quarter. Annual rolling averages indicate a positive trend though as results are distorted due to a poor Q1 2018. The ONS forecasts indicate that housebuilding and infrastructure will drive the majority of construction activity in 2019. The commercial sector is expected to remain weak in 2021. Some surveys show increased optimism for 2019 to some extent muted by political and economic uncertainty.

The MPA reports that the UK economy grew 0.4% in Q1 2019 driven by an increase in household spending, following an increase in earnings of 1.5%. Retail sales were higher in the first quarter of 2019 with extra consumer activity anticipated in builders' merchants and DIY chains, especially given the mild weather in the first quarter.

The future of carbon pricing is a significant issue for cement producers. In May, the government published a consultation paper on it in the UK. In addition, the Committee on Climate Change (CCC), who are advisers to the government, published their report on a target for net zero carbon emissions by 2050.

Carbon pricing is integral to meeting CCC objectives for industries such as glass, chemicals, steel and cement. From 2020 onwards the price of carbon allowances will be based on a UK carbon trading system linked to the European Union Emissions Trading Scheme (EUETS). An EU carbon allowance is the right to emit one tonne of CO₂. By 2030, the price of an allowance is forecast to rise from a current price of £23 to £80. Quantities of allowances issued are reduced each year.

To put this in context, cement producers emit circa 800 kilograms of CO₂ a tonne of cement. Operators already receive less than their annual emissions so they'll need to invest to reduce emissions or purchase allowances in the market to meet their requirements. In the long term, increased costs will be passed through to consumers as increased prices, a similar situation to that of electricity production costs in the past 10 years.

“Aggregates, ready mixed concrete, mortar and asphalt all performed adversely compared to the previous quarter. Annual rolling averages indicate a positive trend though as results are distorted due to a poor Q1 2018.”

Expert Panel

Roofing Products

(Part of Heavy Building Materials)



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

The first three months of the year were very strong for the roofing sector with Q1 2019 sales significantly exceeding Q1 2018. But we had the 'Beast from the East' in Q1 2018 and with many days lost to bad weather in February and March 2018, the benchmark for year-on-year growth was always going to be a soft comparison. Taking that into account, activity levels were still above expectations – and above Q1 2017 too. Our increasingly optimistic roofing sector reports full order books, and there is a genuine buzz about the industry.

Investment in training is a continuing focus in the industry to ensure there is a large enough skilled workforce to meet continuing high demand levels. Contractors are keen to make sure that their workforce is up to speed, with traditional roofing applications and new manufacturer systems using liquid applied or self-adhesive membrane technology.

There are regional variations with regions outside the South East performing better than London. The Construction Products Association (CPA) forecasts an overall 0.4% fall in industry output, yet some sectors seem to have better prospects for 2019 than others. The infrastructure sector is forecast to perform positively while retail and offices are expected to face a significant decline in workloads.

When viewed in the round however, the uncertainty that surrounds the 'will we or won't we' debate that continues to rage in Westminster seems to have passed roofers by. They are just busy getting on with the job. That isn't to say that the roofing community is oblivious to the potential for disruption, but as we enter quarter two and wait for the Brexit bubble to burst, enquiry levels and order books remain quite strong.

To quote John F. Kennedy: "The time to repair the roof is when the sun is shining."

"Our increasingly optimistic roofing sector reports full order books, and there is a genuine buzz about the industry."

Expert Panel

Steel Lintels

(Part of Heavy Building Materials)



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

Not surprisingly, Q1 2019 is ahead of Q1 2018 although February was disappointing. No doubt the run up to the 29th March held back the overall potential for the quarter. Nevertheless it was a steady positive quarter, with many Brexit plans put on delay for another few months. Quarter two has started strongly, and the coming months will flush out if this is a result of a delay from Q1.

The NHBC (National House-Building Council) report for Q1 2019 has registrations up 3% to around 37,500 compared to the same period in 2018. This small increase is against low levels in Q1 2018, linked to poor weather conditions. Set against the now-expired deadline of Brexit (on 29th March) and adjusted for London region the figures do not look that encouraging. However, looking ahead, new house building demand remains strong. Ah yes, but so does the Brexit debate!

One area that housebuilders are focusing on is third-party certification. A third-party examination typically includes comprehensive formulation or material reviews, testing and facility inspections. Some housebuilders carry out their own inspections, in addition to third parties. NHBC and LABC (Local Authority Building Control) are also insisting on reputable certification on products with the British Board of Agrément, the standard most recognised and requested. The CE mark demonstrates compliance with the appropriate manufacturing standards for the product. Engineers and contractors using fabricated steelwork, such as steel lintels, will work with amended specifications to ensure only CE marked products are used on their projects. Certification is clearly on the agenda.

Merchants will be aware of the renewed focus on certified products. With accreditation becoming paramount, the manufacturers best placed to satisfy future demands will have a full portfolio of certified products, the ability to secure specification and the representation to engage fully with merchants.

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Expert Panel

Mineral Wool Insulation

(Part of Heavy Building Materials)



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

Robust demand for mineral wool insulation continues in 2019. Housebuilding remains buoyant in the Midlands and the North, offsetting a softening of demand in the South East. This has a positive impact on mineral wool insulation sales because houses built in these regions tend to be larger and so need more insulation.

In some ways it's difficult to assess the true underlying demand for glass mineral wool, as supply constraints remain a factor. Since mid-2018, the major manufacturers have had to restrict sales using allocation programmes. At Knauf Insulation, we were pleased to be able to increase our allocation to customers in March, raising it to 115% of prior year sales.

We're keeping the situation under constant review, exploring ways to further maximise output and increase availability, and will relax the allocation further as soon as we are able to. There continues to be no restrictions at all on our rock mineral wool products.

The Brexit elephant in the room continues to affect confidence across the whole industry, and has undoubtedly depressed construction activity. More directly, uncertainty is impacting manufacturers' and merchants' operations. As the March deadline approached, prudent businesses stockpiled raw materials and imported goods in case of 'No Deal' disruption. The decision now is whether to maintain those stockpiles through to the new deadline of October 31st.

Despite its prominence, Brexit isn't the only thing on the political agenda affecting the industry. This year we expect the government to consult on further changes to the building regulations, with a particular focus on Part B (fire safety) and Part L (energy efficiency).

Last month's widespread Extinction Rebellion protests have brought new urgency to the climate change discussion. Another significant event was March's announcement of the planned Future Homes Standard. This is underpinned by two commitments: to ban fossil fuel heating in new homes by 2025, and to deliver world-leading levels of energy efficiency.

I'll update you when its potential impact becomes clear, but at this stage we can say that merchants should ultimately expect increased demand for high-performance materials that deliver resilient buildings.

“Brexit isn't the only thing on the political agenda affecting the industry. This year we expect the government to consult on further changes to the building regulations, with a particular focus on Part B (fire safety) and Part L (energy efficiency).”

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 uncertainty of Brexit continues to influence the insulation distribution sector with confidence seeming to be fragile. We welcome a positive performance for Q1 2019, with a milder winter than last year helping construction. Sales figures have not been as strong, however, as some in the industry anticipated.

The strength of regional new build continues to boost the sector – especially in cities outside the South East. In the Repair Maintenance and Improvement (RMI) sector the picture is more subdued. People are spending cautiously and, in addition, the number of property transactions remains low.

Significant growth opportunities for insulation manufacturers and suppliers include the government's 'Clean Growth Strategy'. In particular, this quarter we saw further reports from the Committee for Climate Change (CCC), who advise the government on building a low carbon economy. Their 'UK Housing: Fit for the Future?' report was published at the end of February. It cites the importance of work on the existing housing stock: "Decarbonising and adapting the UK's housing stock is critical for meeting legally-binding emissions targets by 2050 and preparing for the impacts of climate change." There is also increasing public pressure from a wider climate change agenda led by the Extinction Rebellion activist movement.

The key to actual change in the insulation market will be strong legislation from government, followed by similarly robust implementation from local government and other authorities. This will galvanise further the huge opportunity for all types of insulation sales and distribution.

Whenever Brexit is finally decided, there is the possibility of a positive bounce for the insulation sector, given these market opportunities and environmental changes. We still have to deal with issues such as product and labour availability, but we hope that overall the market can move forward and grow.

Encon continues to support the independent merchant sectors during these times of change and opportunity, but we do need Brexit to be sorted in order to release the brakes!

“The strength of regional new build continues to boost the sector – especially in cities outside the South East. In the Repair Maintenance and Improvement (RMI) sector the picture is more subdued.”

Expert Panel

Bricks

(Part of Heavy Building Materials)

IBSTOCK | BRICK

an IBSTOCK plc company



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

GB brick manufacturers continue to increase production volumes, demonstrating a significant commitment to satisfy growing demand from the UK market.

In Q1 2019, there were just over half a billion bricks produced in Great Britain, a growth of 6% compared to Q1 2018. This is the highest Q1 production volume since 2008, before the recession.

Despatch volumes in Q1 increased by 3% against last year. However, this year's strong March sales are set against last year's March performance, which was affected by extreme winter weather.

While GB brick stocks are at relatively low levels, the volume of bricks in GB manufacturers' stockyards has increased by 45m – comparing the end of March 2019 to the end of December 2018.

Despite continuing Brexit economic uncertainty, this build-up in stocks mirrors positive market news. A recent NHBC announcement reveals that new home registrations in Q1 2019 increased by 3% against the same period last year. Early indications are that April registrations are also strong. Similarly, according to the Housing Pipeline report issued by HBF and Glenigan, permissions in 2018 were granted for almost 370,000 new homes. That's the second highest total on record.

Positive anecdotal feedback from builders' merchants also points to very encouraging sales in April 2019, boosting the robust outlook for brick sales in the foreseeable future. GB brick manufacturers have increased production and have stocks on the ground to support this demand.

Many construction areas are affected by Brexit uncertainty, but at Istock we use the product advantages we have to optimal effect. Our products are all manufactured in the UK, by a workforce who are virtually all UK nationals, in new larger UK factories in which we continually invest. The raw materials and packaging for these products also come mainly from UK-based quarries. Only a few engineering spares are required from non-UK sources, for which we hold significant stocks. We are confident that this will mean we are well placed to take advantage of market changes and opportunities.

“New home registrations in Q1 2019 increased by 3% against the same period last year. Early indications are that April registrations are also strong.”

Expert Panel

Natural Stone Landscaping Products

(Part of Landscaping)



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

The landscaping sector had an incredibly busy quarter one. Customers are also saying that April looks like a record sales month.

Artificial grass was the hero landscaping product this quarter. With ever-increasing product quality for the best grasses and a UV guarantee as standard, they are perfect for a low maintenance small garden.

In other product areas, concerns that classic Indian stone would be affected by popular cheaper porcelain ranges from Turkey, Poland and India flooding the market have proved unfounded. Some higher-end ranges of stone and porcelain are a little slower, but some stockists are only just receiving new sample stocks to put together this season's showroom displays. Landscaping products really need to be seen to be sold! Slate from Brazil – the new alternative to Chinese slate that was becoming difficult to source – is working well and proving to be very high quality.

The industry built high stock levels prior to the now-postponed Brexit deadline, but these are now being used to satisfy high demand. Talasey, for example, is now the second largest stockholder of stone in the UK with many acres of stock. However, being able to fund and maintain high stocks depends on shipping rates, which although always subject to fluctuations have now risen to very high levels. Everyone wants to import product into the country – not just the construction industry. This could mean shortages later in the year if some players decide not to pay such prices and take the risk.

Construction faces a skills crisis as a large cohort of over 55-year old builders and tradespeople prepare to retire, younger workers from the EU go home and UK school leavers are steered away from a career in building by misguided parents and teachers.

Taking the initiative for our own sector, Talasey is addressing the existing skills gap and recognising the need for accredited landscaping training. The Talasey Training Academy offers a wide range of City & Guilds accredited training courses. Our training manager is targeted to find potential candidates including men and women from schools and colleges as well as ex-military personnel and anyone else wanting to re-skill in a new industry.

In some areas of the country, there are long waiting lists for homeowners wanting new driveways or patios – the demand for our successful trainees is out there!

“Being able to fund and maintain high stocks depends on shipping rates, which although always subject to fluctuations have now risen to very high levels.”

Expert Panel

Water Heating

(Part of Plumbing Heating & Electrical)

HEATRAE SADIA
SMARTER | CLEANER | WARMER



Jeff House, Head of External Affairs Baxi Heating UK (incorporating Heatrae Sadia) is BMBI's Expert for Water Heating.

So far 2019 has seen a positive start in the residential sector. Q1 figures from the Energy & Utilities Alliance (EUA) show domestic boilers up 11% year on year and hot water storage cylinders also up 2%. This would appear to be largely driven by Repair Maintenance and Improvement (RMI) activity and preparatory pre-Brexit stock intake.

Latest analysis from the Construction Products Association (CPA), however, reveals a less promising general outlook. The CPA's total construction figures have been revised down slightly from their winter forecast of 0.3% down to -0.4%. This is largely connected to continued investment uncertainty, exacerbated by the Brexit situation. Infrastructure is the only sector now showing a positive forecast. Two sectors predicted to have a double digit decline for 2019 are new office build (-11%) and retail (-20%).

As mentioned in last quarter's report, we expect the launch later this year of a Government consultation on revisions to Building Regulations Approved Documents L (conservation of fuel and power) and F (ventilation). When these regulation change, the associated Standard Assessment Procedure (SAP) V10 framework will come into effect.

This is expected to alter the product mix in commercial and residential new build designs. In particular, there is likely to be more interest in electric heating and subsequently more potential use of hot water cylinders – products whose usage will impact positively on the compliance calculations for new build properties.

Looking slightly further ahead the Chancellor of the Exchequer, in his 2019 Spring Statement, proposed a "Future Homes Standard" to be introduced by 2025. The standard commits the industry to "future-proofing new build homes with low carbon heating and world-leading levels of energy efficiency." In a slight deviation from the written ministerial statement, Phillip Hammond also stated to the house in his speech that new homes from 2025 will be built without 'fossil fuel heating'.

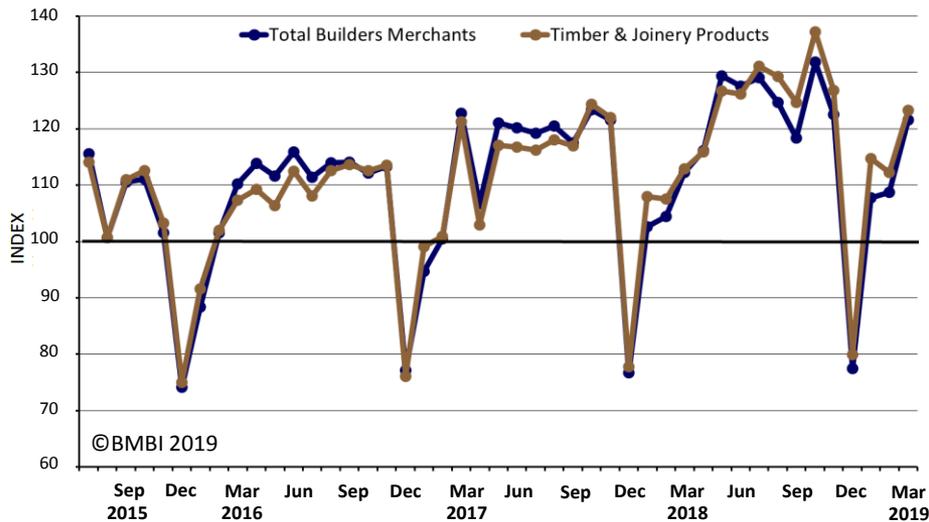
Again, this would see a shift in product specification with hot water and smart, grid-addressable, local energy storage expected to become more prevalent. Demand for heat pumps is also likely to increase in the 2020s particularly in off-gas grid retrofit as the policy intent of the Clean Growth Strategy is realised. In preparation for a potential regulatory change in the mid-2020's work has already started on SAP V11 to explore new technology propositions that may become commercially available.

“There is likely to be more interest in electric heating and subsequently more potential use of hot water cylinders – products whose usage will impact positively on the compliance calculations for new build properties.”

Monthly and Quarterly Indices

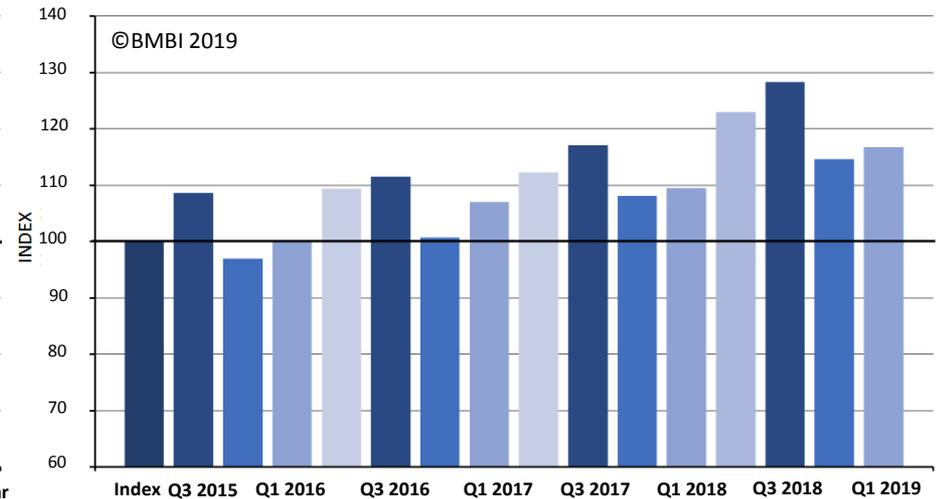
March 2019 and Q1 2019

Timber & Joinery Products



Monthly chart indexed on July 2014 – June 2015

Timber & Joinery Products - Quarterly



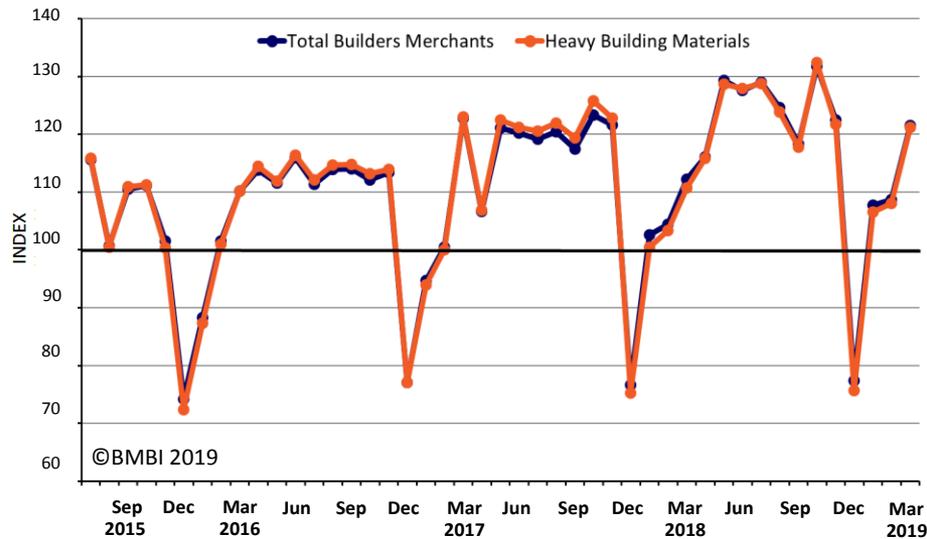
Quarterly chart indexed on July 2014 – June 2015

Monthly and Quarterly Indices

March 2019 and Q1 2019

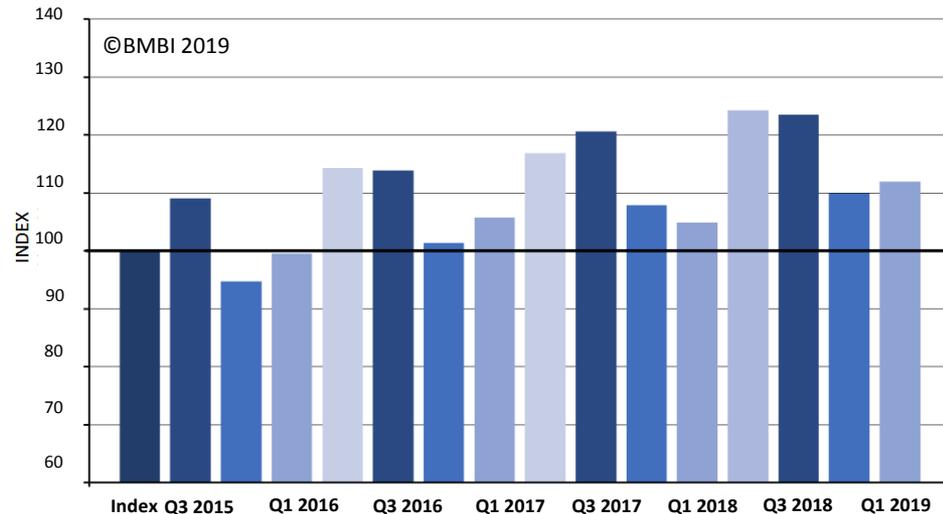


Heavy Building Materials



Monthly chart indexed on July 2014 – June 2015

Heavy Building Materials - Quarterly



Quarterly chart indexed on July 2014 – June 2015

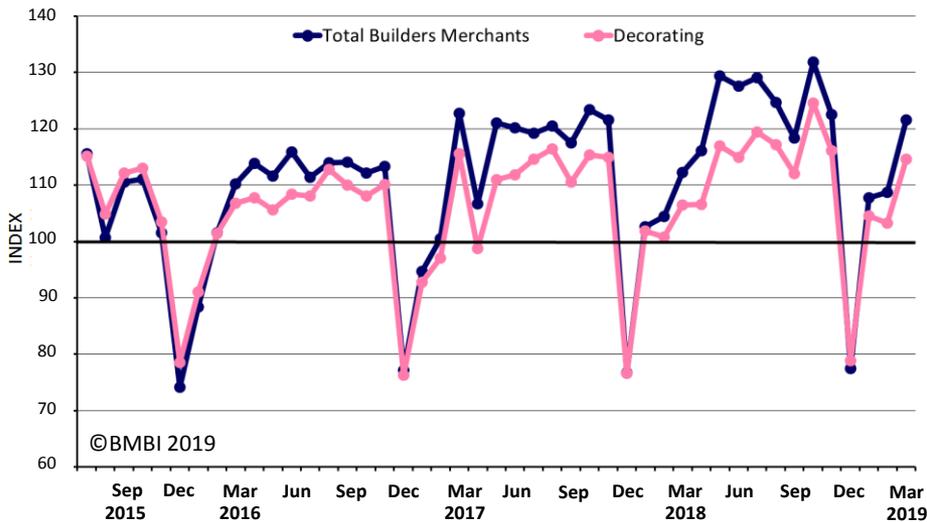
GfK Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2019

Monthly and Quarterly Indices

March 2019 and Q1 2019

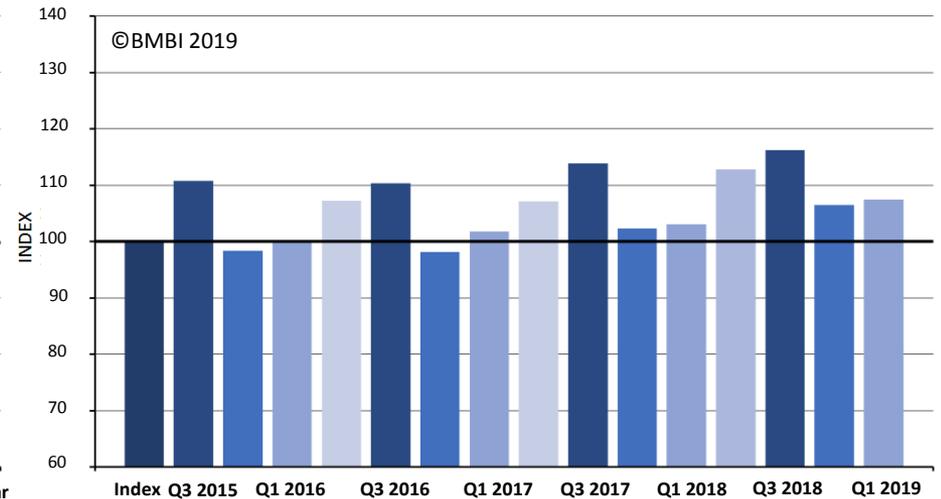


Decorating



Monthly chart indexed on July 2014 – June 2015

Decorating - Quarterly



Quarterly chart indexed on July 2014 – June 2015

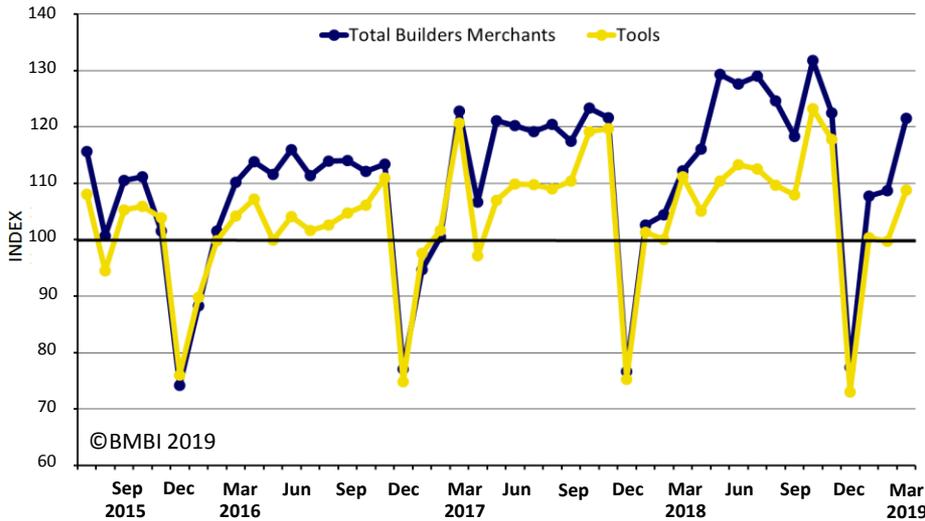
 Source: GfK's Builders Merchants Total Category Report July 2015 to March 2019

Monthly and Quarterly Indices

March 2019 and Q1 2019

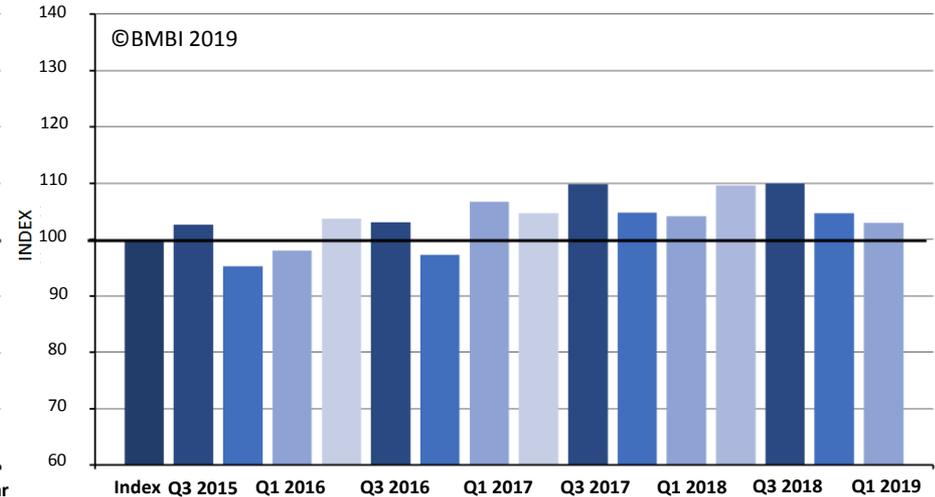


Tools



Monthly chart indexed on July 2014 – June 2015

Tools - Quarterly



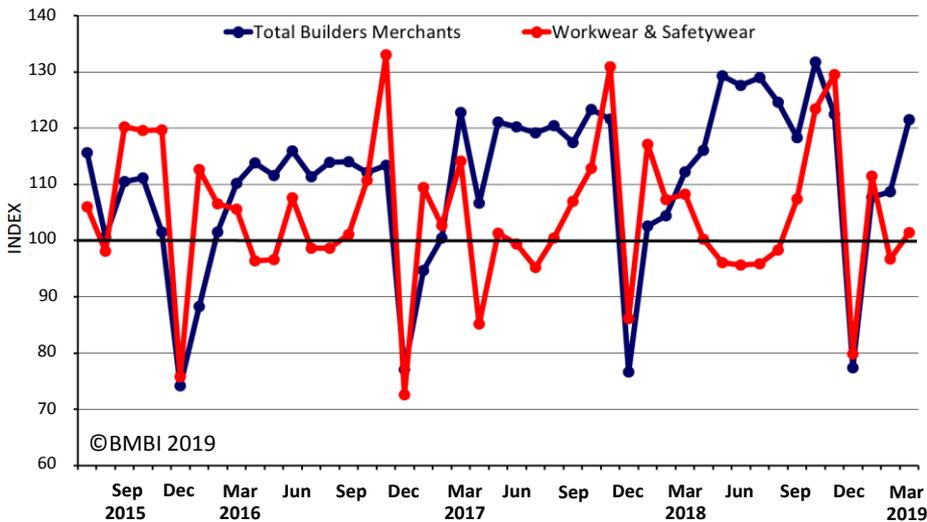
Quarterly chart indexed on July 2014 – June 2015

GfK Source: GfK's
Builders Merchants
Total Category Report
July 2015 to March 2019

Monthly and Quarterly Indices

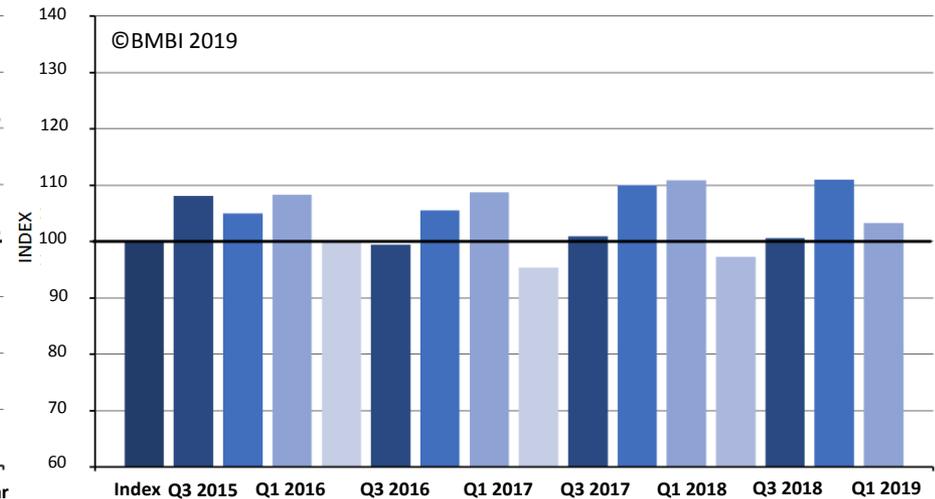
March 2019 and Q1 2019

Workwear & Safetywear



Monthly chart indexed on July 2014 – June 2015

Workwear & Safetywear - Quarterly



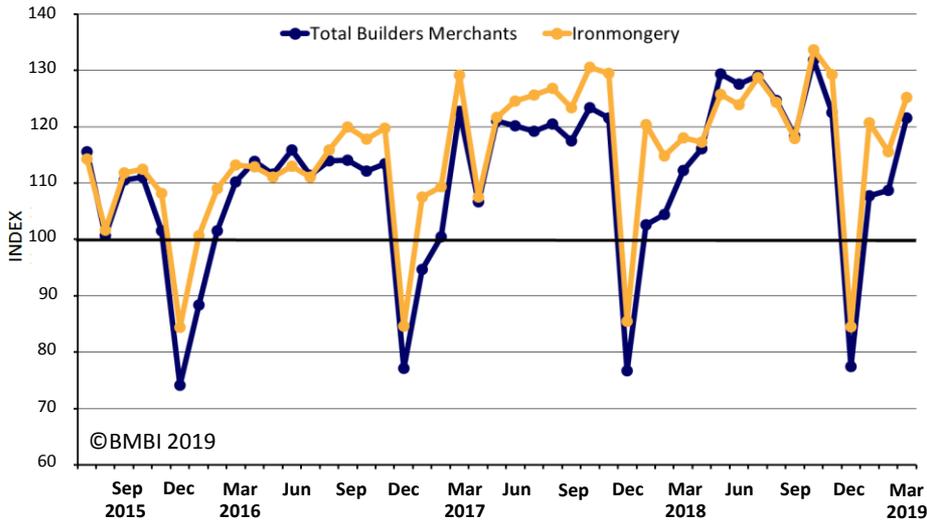
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Monthly and Quarterly Indices

March 2019 and Q1 2019

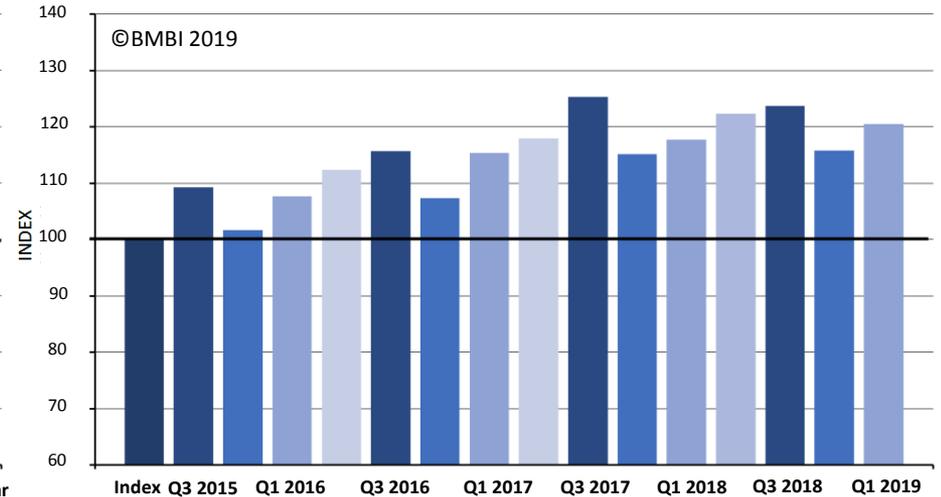


Ironmongery



Monthly chart indexed on July 2014 – June 2015

Ironmongery - Quarterly



Quarterly chart indexed on July 2014 – June 2015

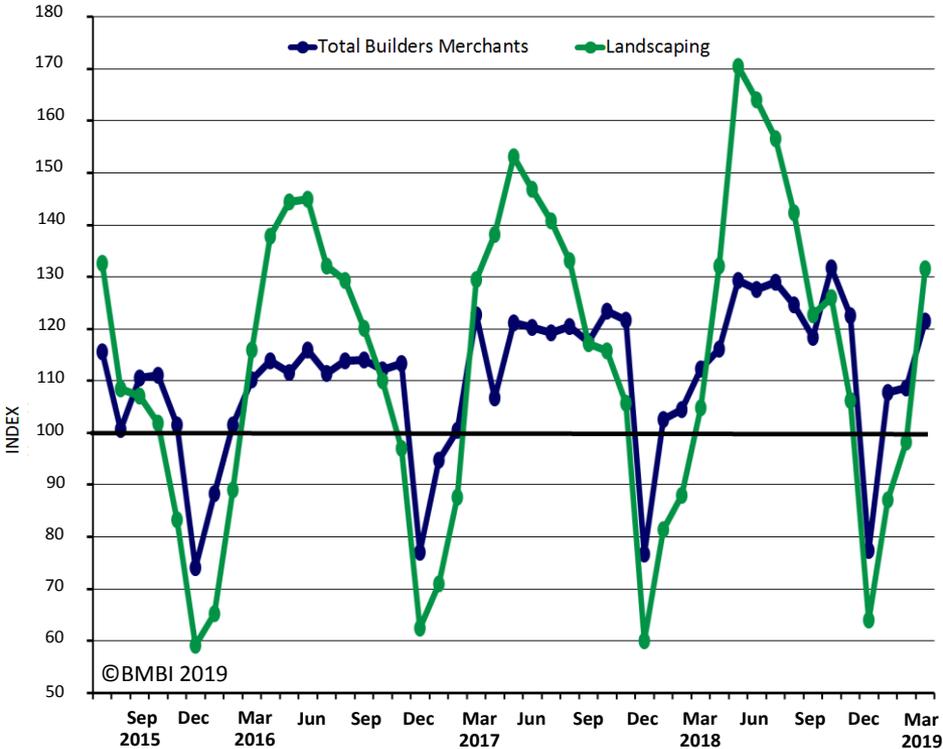

Source: GfK's
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 July 2015 to March 2019

Monthly and Quarterly Indices

March 2019 and Q1 2019

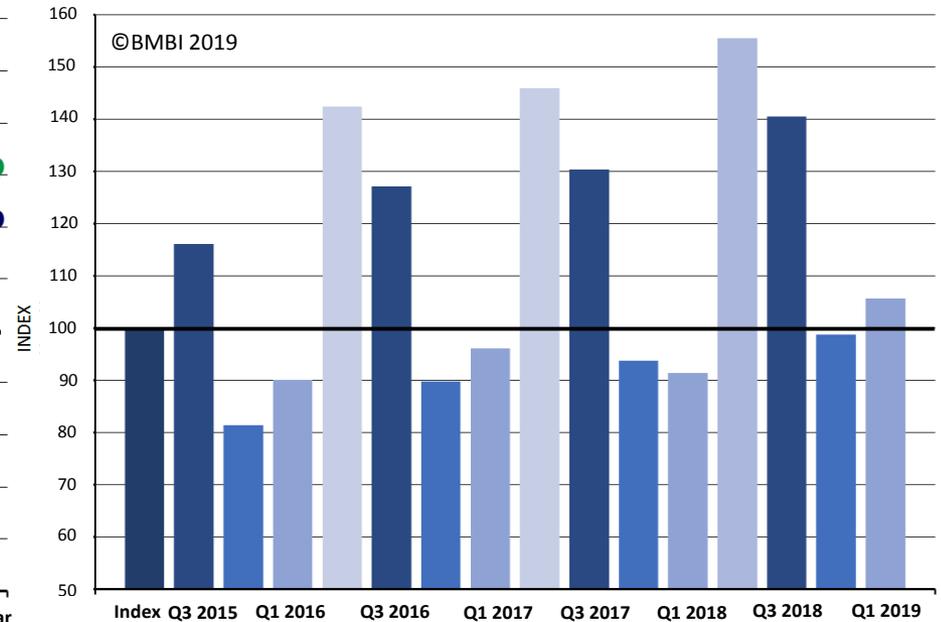


Landscaping



Monthly chart indexed on July 2014 – June 2015

Landscaping - Quarterly



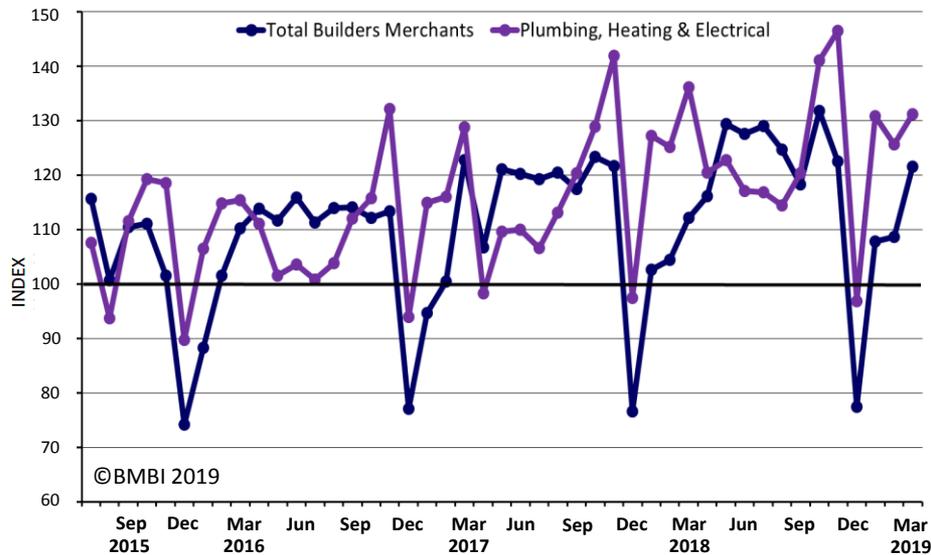
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Total Category Report
July 2015 to March 2019

Monthly and Quarterly Indices

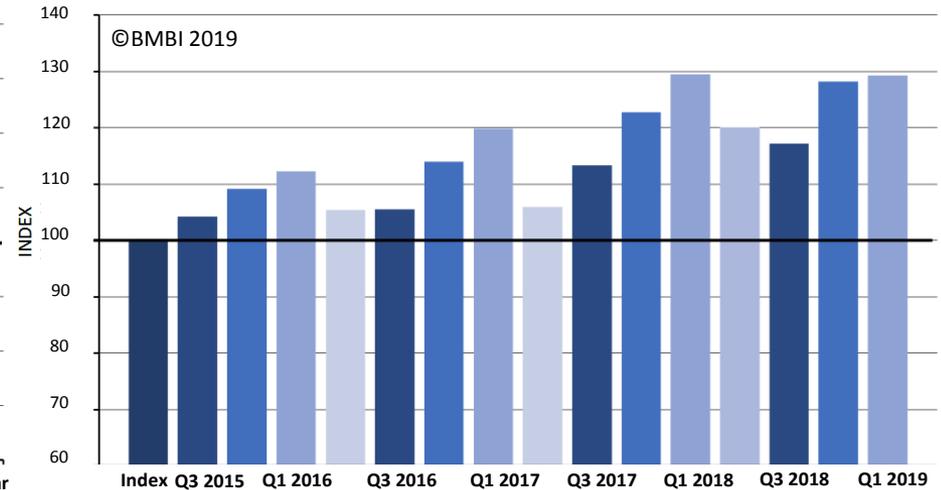
March 2019 and Q1 2019

Plumbing, Heating & Electrical



Monthly chart indexed on July 2014 – June 2015

Plumbing, Heating & Electrical - Quarterly



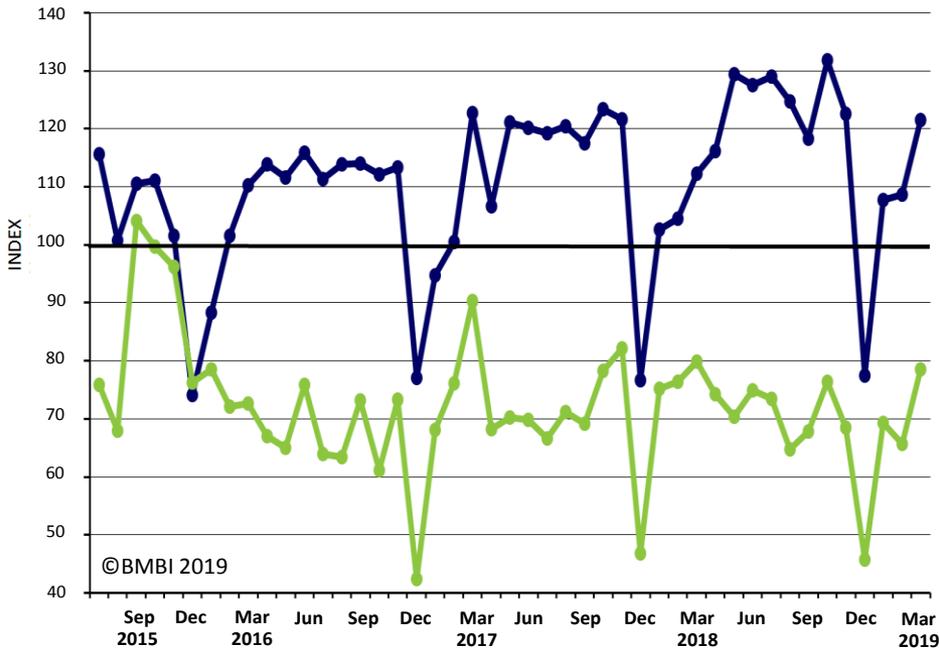
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Monthly and Quarterly Indices

March 2019 and Q1 2019

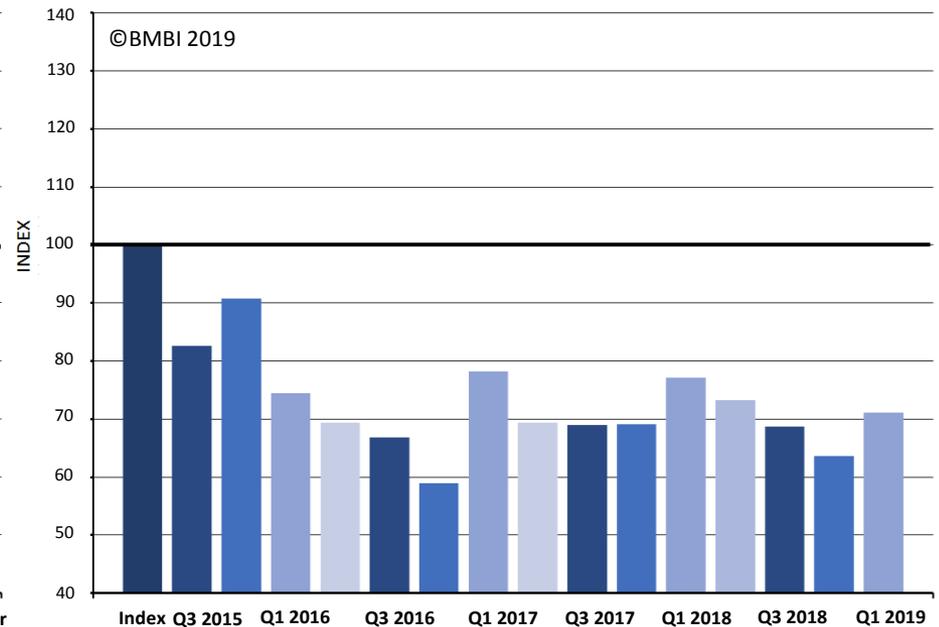
Renewables & Water Saving

● Total Builders Merchants ● Renewables & Water Saving



Renewables & Water Saving - Quarterly

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Charts indexed on July 2014 – June 2015

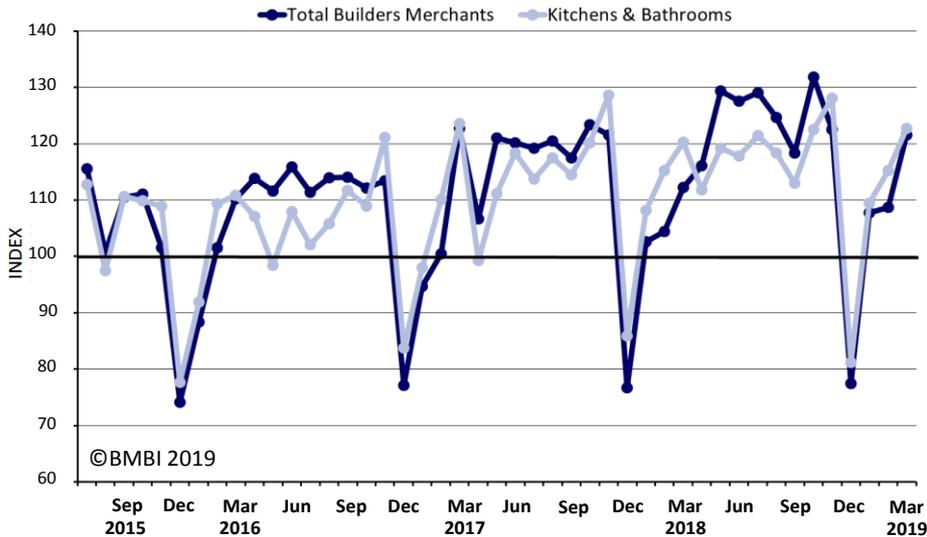
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Monthly and Quarterly Indices

March 2019 and Q1 2019

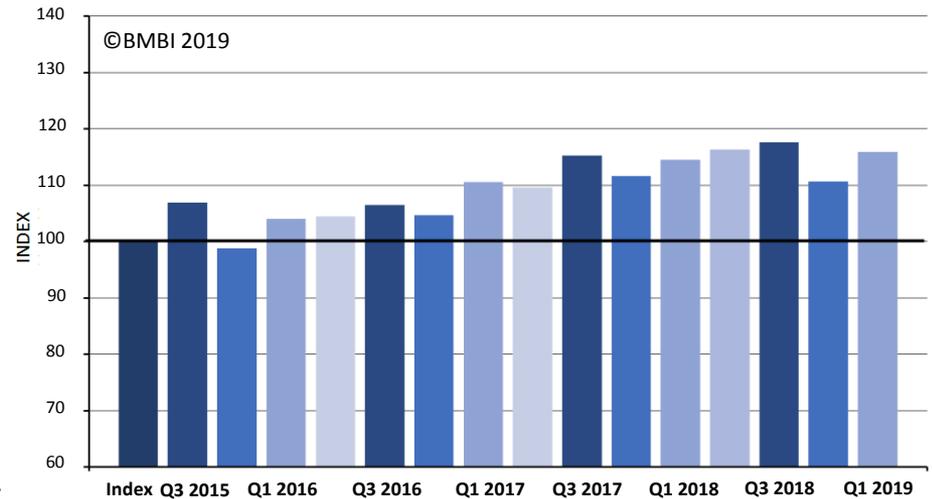


Kitchens & Bathrooms



Monthly chart indexed on July 2014 – June 2015

Kitchens & Bathrooms - Quarterly

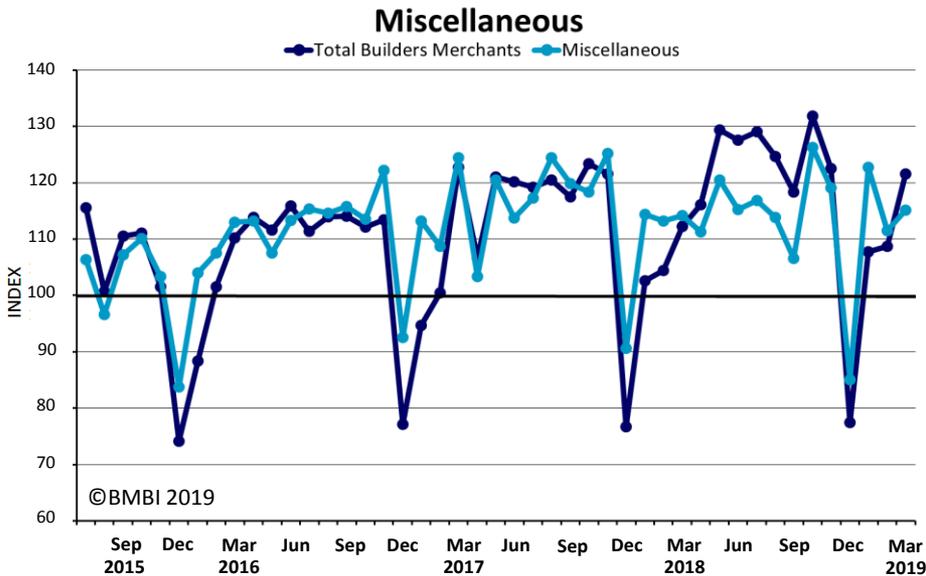


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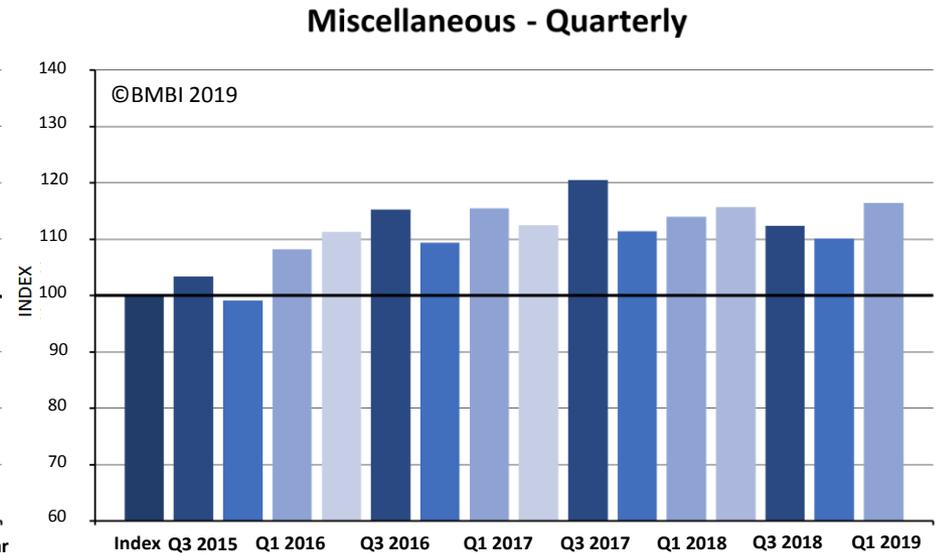
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March 2019 and Q1 2019



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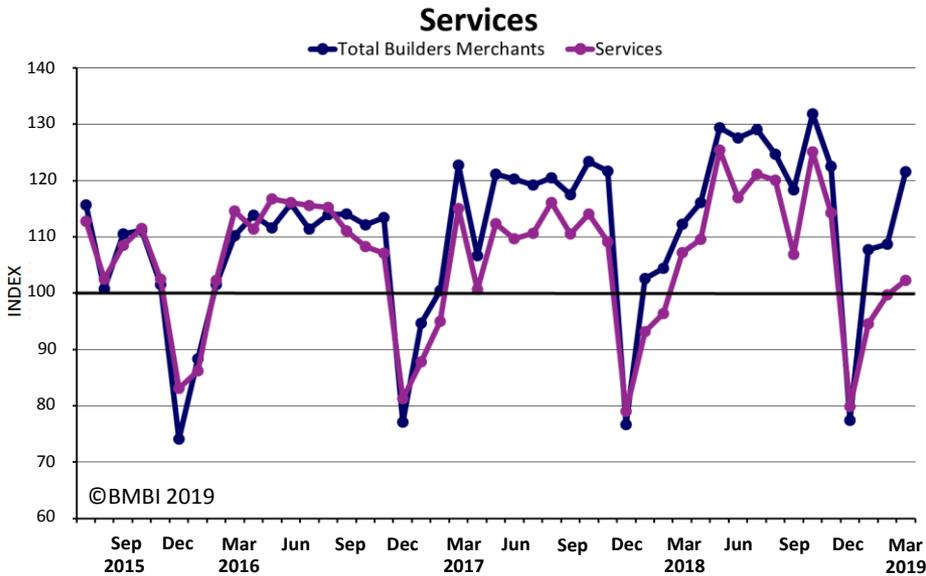


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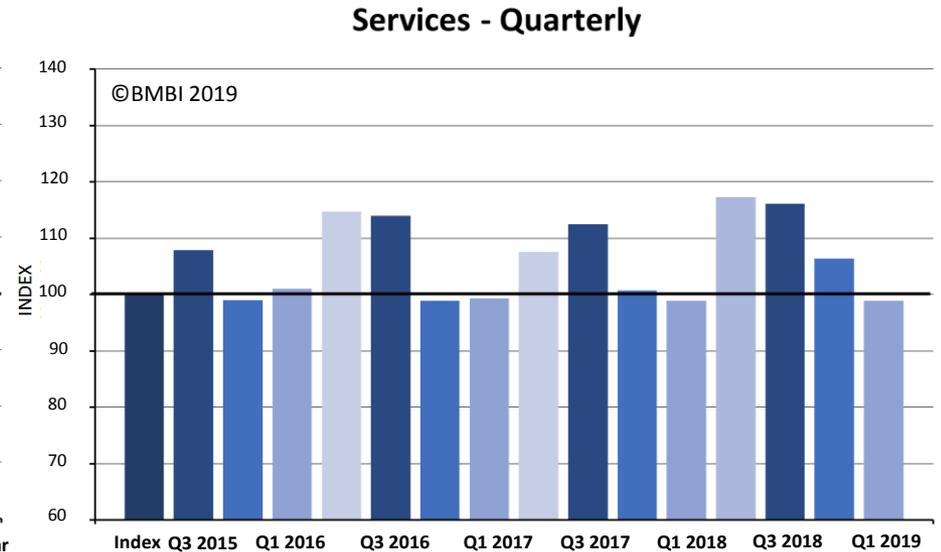
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Monthly chart indexed on July 2014 – June 2015



Quarterly chart indexed on July 2014 – June 2015

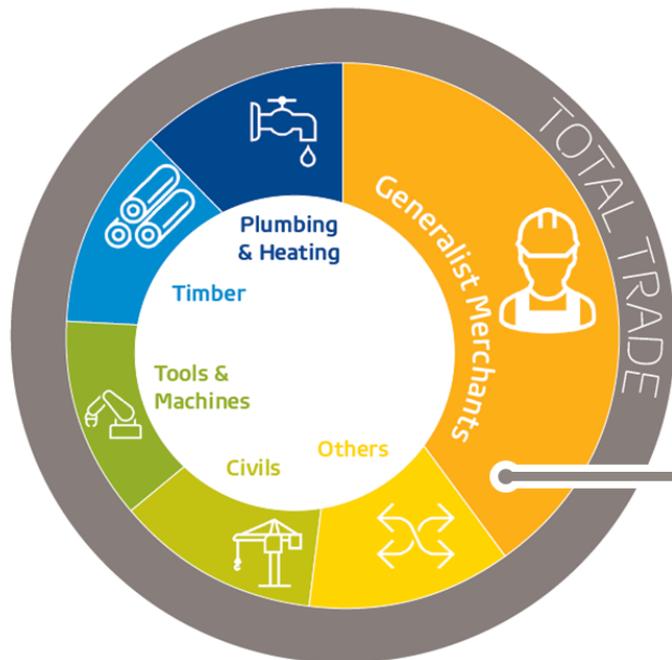
GfK Source: GfK's
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Total Category Report
July 2015 to March 2019

GfK's Panel

Generalist Builders Merchant Panel (GBM's)



The Multiple Generalist Builders Merchants Channel



Generalist Builders Merchants

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

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

Examples include:



GfK Insights Methodology



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

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

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

GfK's Product Categories

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



Headline values available

Timber & Joinery Products

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

Heavy Building Materials

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

Decorating

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

Tools

Hand Tools
Power Tools
Power Tool Accessories
Ladders & Access Equipment

Workwear And Safetywear

Clothing
Safety Equipment

Ironmongery

Fixings And Fastenings
Security
Other Ironmongery

Landscaping

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

Plumbing Heating & Electrical

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

Renewables And Water Management

Water Saving
Renewables & Ventilation

Kitchens & Bathrooms

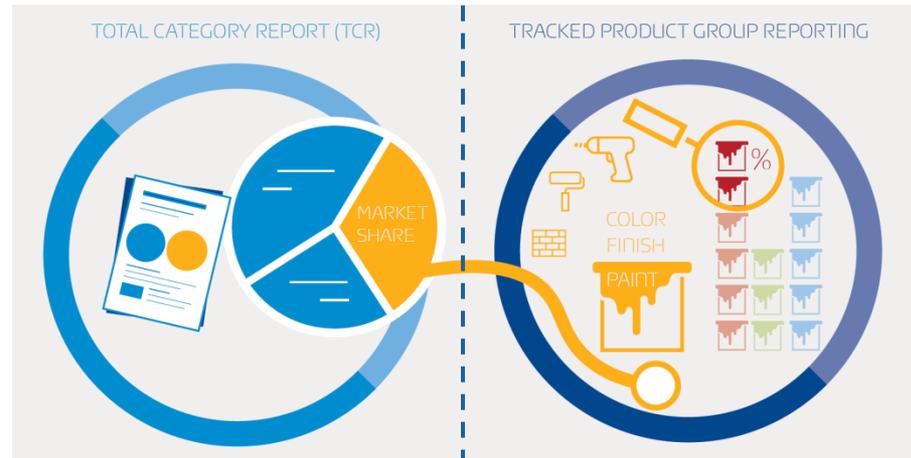
Bathroom (Including Showering)
Fitted Kitchens
Major Appliances

Miscellaneous

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

Services

Toolhire / Hire Services
Other Services



In-depth product group reporting

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

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

Available categories:

Heavyside

Bricks
Insulation

Lightside

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

Macro factors impacting Merchants



Bank interest rates

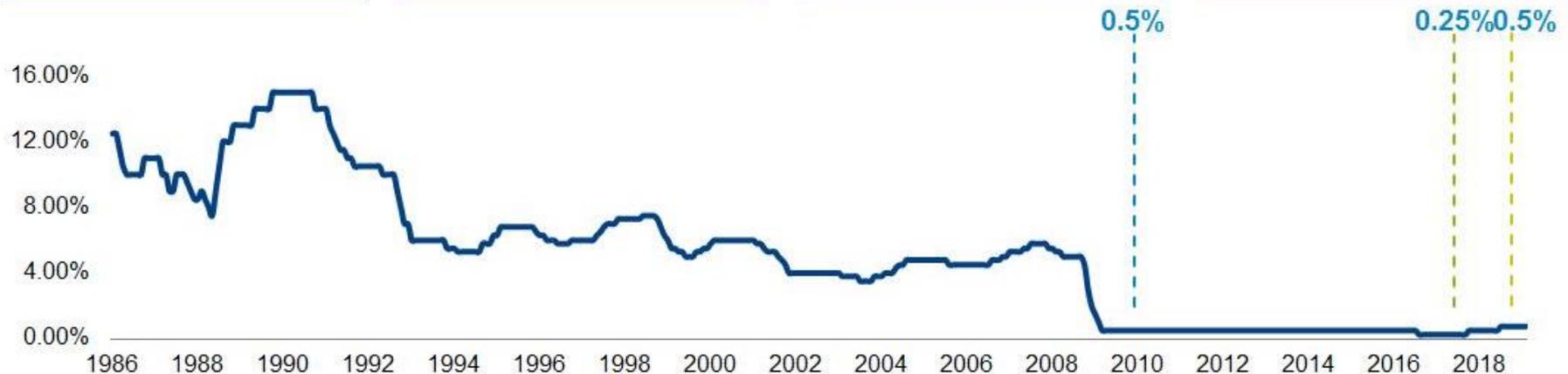
Set monthly by the MPC (Monetary Policy Committee)

▪ The base rate of interest is one of the tools used by the Bank of England to target price stability. Since 1997 when the Bank's Monetary Policy Committee gained autonomy the rate has been between 7.5% and 0.25%

▪ The economic crisis caused the Bank to drop rates to 0.5%, as the inflation pressure was considered less important than the stability of the economy
▪ The further reduction in August 2016 was designed to further promote growth and achieve the Bank's 2% inflation target.

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

▪ 7th February 2019 the Bank of England Monetary Policy Committee voted 9:0 to maintain the Bank Rate at 0.75%



Source: Bank of England

Macro factors impacting Merchants

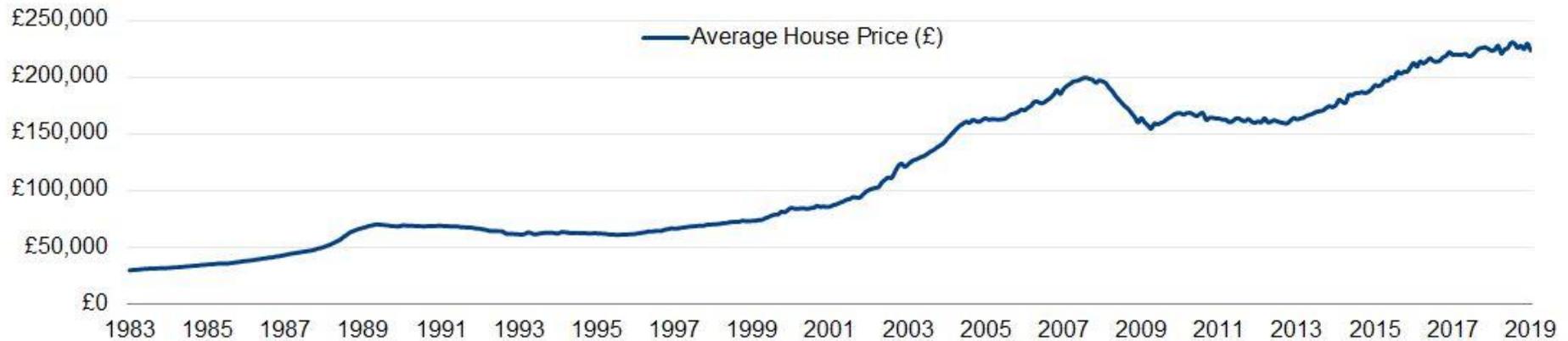


Standardised average house prices

Average Price (year end)		
2000	£84,868	+36%
2005	£163,139	+92%
2010	£168,390	+3%
2013	£174,220	+3%
2014	£189,426	+8%
2015	£208,286	+10%
2016	£222,190	+7%
2017	£225,032	+1%
2018	£229,729	+2%

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

- At the end of January 2019, the average house price in the UK fell to £223,691 from £229,729 in December 2018.



Source: Halifax House Price Index

Macro factors impacting Merchants



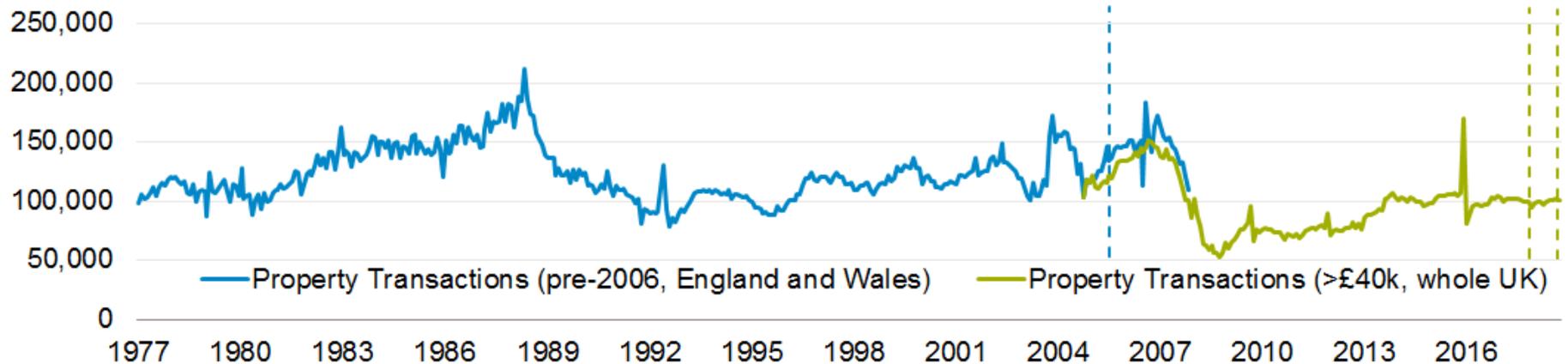
Property transactions

Monthly transactions, residential, seasonally adjusted

Annual total	
2010	879,050
2011	883,770
2012	932,000
2013	1,067,700
2014	1,223,120
2015	1,228,710
2016	1,234,500
2017	1,223,400
2018	1,188,950

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

- Provisional levels of seasonally adjusted property transactions increased 0.8% in January 2019 compared to the previous month.



Source: HM Revenue & Customs

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Macro factors impacting Merchants



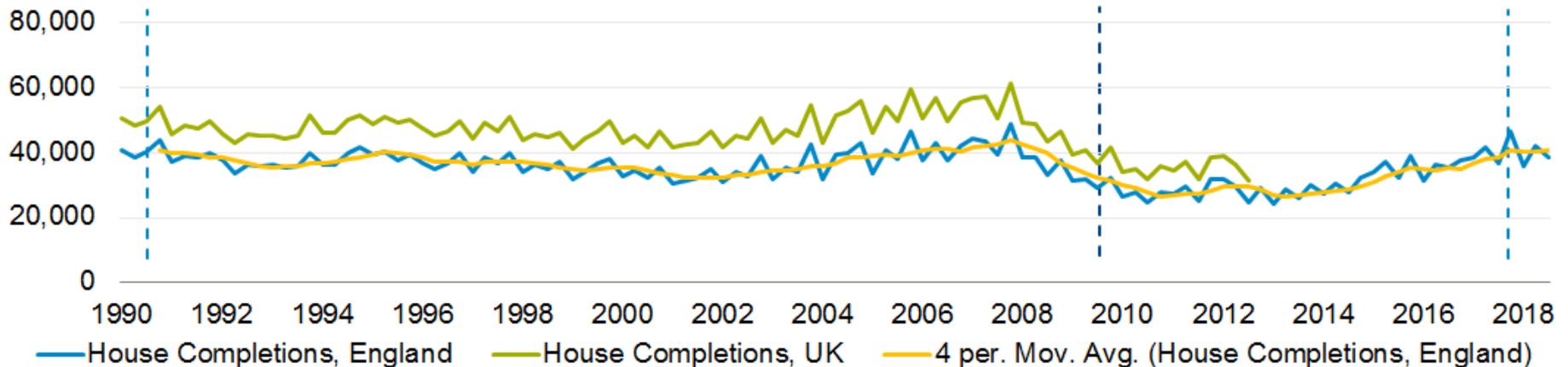
New house builds

Quarterly

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

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

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



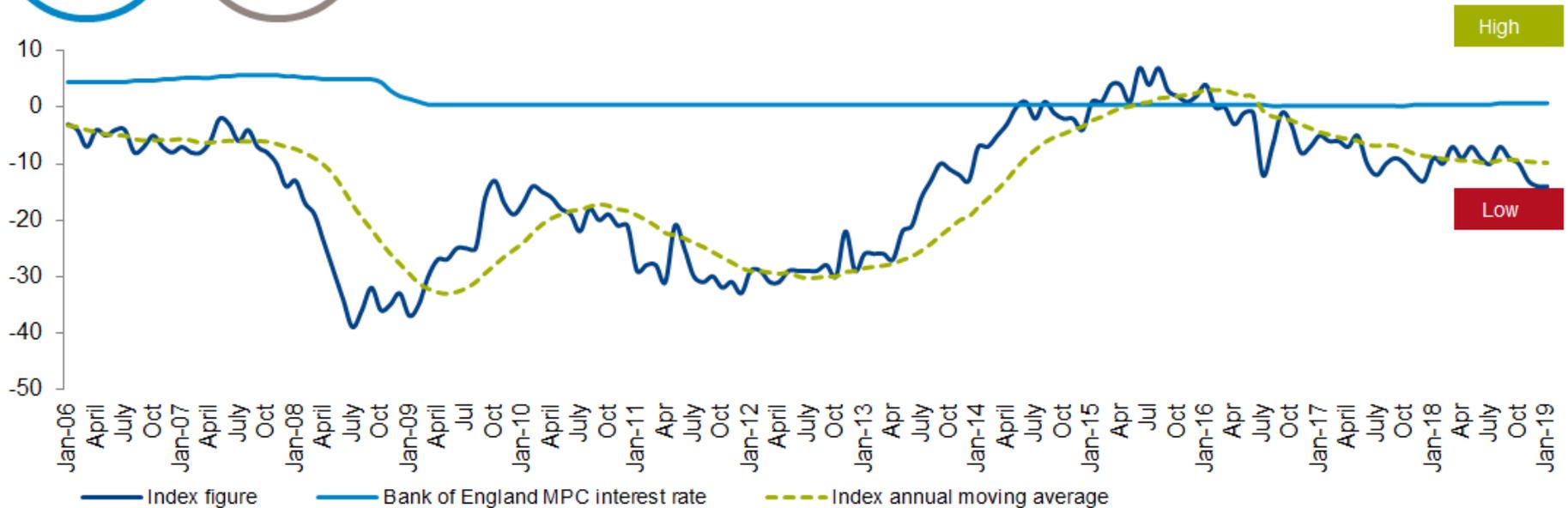
Source: GOV.UK

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Macro factors impacting Merchants



Consumer Confidence Index



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

Contact us

For further information



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