

“building **excellence**
in materials supply”

Builders Merchant Building Index



Quarter 3 2020

(Published 23 November 2020)

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 relatively small samples or estimates, or sales from suppliers to the supply chain, this up-to-date data is based on actual sales from merchants to builders and other trades. It's therefore a very good proxy for housing RMI.

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

MRA 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: eCommonSense, British Gypsum, Wienerberger, Midland Lead, Polypipe, The Crystal Group, Keylite Roof Windows, Hanson Cement, Keystone Lintels, Knauf Insulation, Talasey Group, Dulux Trade and Lakes. Meet the Experts [here](#) and on pages 31 to 43 of this report.

Recognition for BMBI

One of the aims of BMBI is to reach across and beyond construction. It's now syndicated to a growing number of trade magazines in different sectors on a regular basis. Outside the industry, economists, banks, consultancies, investment bodies and the big accountants regularly refer to it and BMBI is referenced alongside the Office for National Statistics (ONS) data in the Government Department for Business, Energy and Industrial Strategy (BEIS) monthly construction update. From time to time, news outlets, including the BBC contact BMBI Experts and MRA for commentary on the industry.

More data available

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

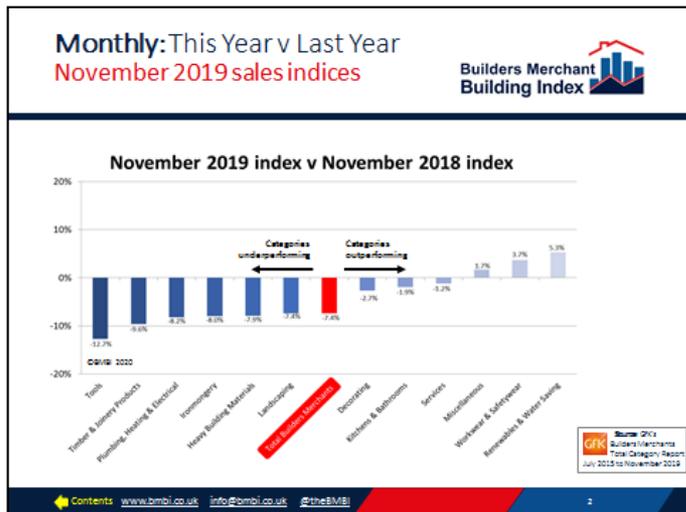
GfK can also produce robust like-for-like market comparability tailored to the requirements of an individual business. As more merchants join to submit their monthly sales-out data the quality of this information can only become more extensive and rigorous. Merchants or suppliers who are interested in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

Trading day differences explained

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

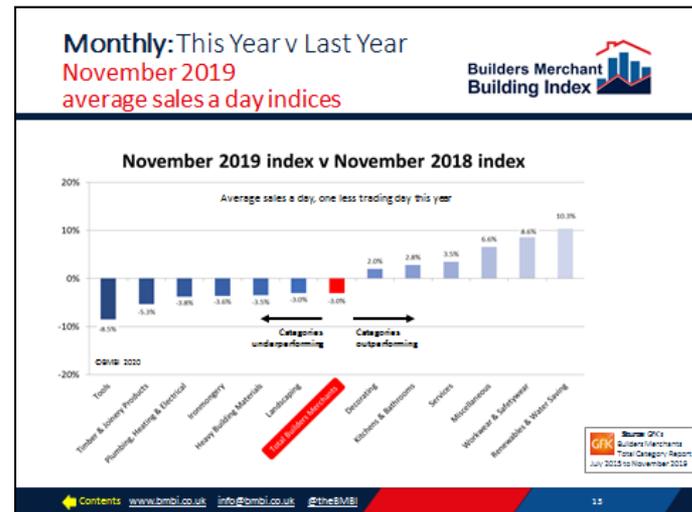
So, it's useful to also show average sales a day so we can compare apples with apples. Where trading days are different, we include two charts for the particular period under review:

Direct comparison of sales indices:



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

Average sales a day indices comparison:



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

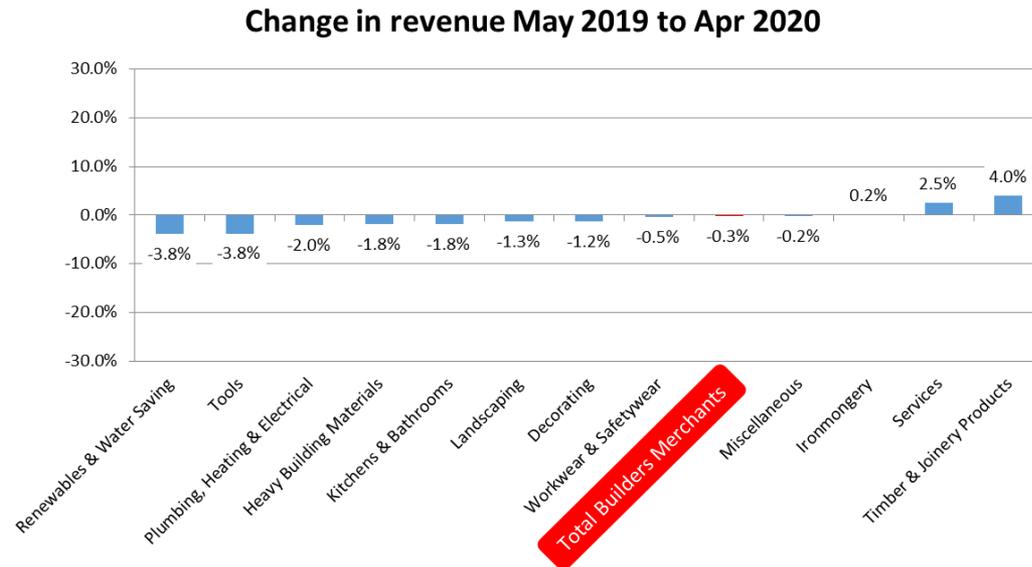
The charts provide two valid views of the same data. Direct comparisons (on the left) show what happened in absolute numbers – average sales a day (on the right) enables trading day differences to be set aside.

GfK's Builders Merchant Panel update



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

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



The tables and charts in this report use the refreshed data from January 2019 onwards. For example, the values between September 2019 and April 2020 in the Indices tables on pages 10 and 21 are marginally different to those in reports published prior to May 2020. The charts on pages 11, 22, and 44-55 incorporates the new values from January 2019 onwards but the differences are relatively small.

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

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

Overview and Insights

Emile van der Ryst,

Senior Client Insight Manager - Trade, GfK



2020 has been a unique year worldwide, but the end of the year has provided a glimmer of light at what has been a long and arduous tunnel. Stock markets worldwide have started to bounce back on the news of a vaccine breakthrough and comments are being made about life returning to normal by the end of next year.

The merchant trade industry is already showing signs of returning to normal, with these Q3 results emphasizing its resilience. By the end of June, the year to date figures were down by -23.9% in value. However, these figures bounced back to -15.4% by September thanks to a 2020 Q3 performance that saw growth of 1.0% versus 2019 Q3. September especially stood out with growth of 8.3%, albeit with one extra trading day compared to 2019.

The cornerstone of this Q3 growth has been the core categories again. Landscaping has been the big winner in 2020, with its growth up by 24.2% in value from 2019 Q3. In addition, Timber & Joinery is up by 3.5% in value versus last year, while Heavy Building Materials only saw a decrease of -1.0%.

Landscaping's 2020 Q3 performance has been driven by Decking, Garden Walling / Paving and Fencing & Gates, with all of these seeing substantial growth from last year. Timber has been the key driver in Timber & Joinery growth, with Cladding also contributing. Heavy Building Materials' small decline was due to a mix of both single digits increases and decreases across the board, with the best performing subcategories being Aggregates, Bricks, Cement, and Roofing Products.

Only Landscaping and Workwear & Safetywear have seen growth year to date, increasing by 1.5% and 1.2% respectively. Workwear & Safetywear Q3 growth was also up by 8.0% in value as COVID-19 safety requirements remain at the forefront.

There is an expectation that the remainder of the year will be more challenging due to the second lockdown, but the sector will benefit from being allowed to remain open for trading. Digital development will continue at a rapid pace, while Brexit will bring its own challenges. The recent performance does however underline some positivity after this turbulent and uncertain year.

“The merchant trade industry is already showing signs of returning to normal, with these Q3 results emphasizing its resilience. September especially stood out with growth of 8.3%... Digital development will continue at a rapid pace, while Brexit will bring its own challenges.”

Merchants' View

John Newcomb, CEO BMF



The results for Quarter 3 show construction making a V-shaped recovery from the initial shock of the first Covid-19 lockdown, but is this set to continue?

After reporting a record fall in construction output in Q2, the latest report from the Office of National Statistics (ONS) shows record growth in Q3, with construction output growing by 41.7%, with new work and RMI growing substantially.

New work was up by 40.8%, with private new housing the largest contributor, growing by 84.4% in Q3 2020 compared with Q2. Repair and maintenance grew by 43.4%, with private housing RMI the largest contributor, growing by 70.9% in Q3 2020 compared with Q2.

However, although ONS found construction output grew for the fifth consecutive month in September, at 2.9% this was the lowest rise in that time. The level of construction output in September 2020 was 7.3% below that in February, with only infrastructure and private new housing having returned to above their pre-pandemic levels of output.

The Construction Products Association's State of Trade Survey for 2020 Q3 found that one-third of heavyside manufacturers and almost a half (48%) of lightside firms reported a rise in sales compared to Q2 2020. That said, product sales remained lower compared to the same period last year.

On a more positive note, property transactions for September reflect the continuing release of pent up demand added to the initial effect of the stamp duty holiday, with mortgage approvals above February's pre-Covid levels. The latest UK Residential Survey from the Royal Institution of Chartered Surveyors (RICS) also reports strong demand continuing to drive housing sales.

The level of activity over the summer and early autumn has been encouraging, but we must also recognise that this has been against a backdrop of furlough payments, stamp duty holidays and continuing work on existing sites. To date the government has been largely supportive of construction and housing, with initiatives such as the stamp duty holiday and the Green Homes Grant, which has just been extended through to March 2022. But with lockdown measures continuing throughout the nations of the UK, we are likely to see more volatility in the coming months.

“The level of activity over the summer and early autumn has been encouraging, but we must also recognise that this has been against a backdrop of furlough payments, stamp duty holidays and continuing work on existing sites. With lockdown measures continuing, we are likely to see more volatility in the coming months.”

Quarterly: Index and Categories

Quarter 3 2019* to Quarter 3 2020

(Indexed on July 2014 to June 2015)



| QUARTERLY SALES VALUE INDEX | Index | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 |
|---------------------------------|------------|--------------|--------------|--------------|-------------|--------------|
| Total Builders Merchants | 100 | 123.4 | 105.4 | 104.9 | 76.4 | 124.6 |
| Timber & Joinery Products | 100 | 128.9 | 111.3 | 108.5 | 78.0 | 133.4 |
| Heavy Building Materials | 100 | 121.0 | 102.3 | 102.5 | 75.1 | 119.9 |
| Decorating | 100 | 115.7 | 104.7 | 101.1 | 56.3 | 108.5 |
| Tools | 100 | 98.5 | 92.2 | 86.0 | 41.0 | 94.4 |
| Workwear & Safetywear | 100 | 105.3 | 117.4 | 128.7 | 67.5 | 113.7 |
| Ironmongery | 100 | 126.1 | 113.6 | 112.9 | 65.0 | 123.2 |
| Landscaping | 100 | 141.3 | 91.2 | 100.1 | 138.8 | 175.5 |
| Plumbing, Heating & Electrical | 100 | 118.7 | 123.4 | 118.5 | 53.9 | 104.6 |
| Renewables & Water Saving | 100 | 75.3 | 65.8 | 76.6 | 31.5 | 66.4 |
| Kitchens & Bathrooms | 100 | 120.2 | 112.8 | 109.4 | 48.4 | 111.6 |
| Miscellaneous | 100 | 128.0 | 114.9 | 129.1 | 63.3 | 111.0 |
| Services | 100 | 121.8 | 110.3 | 104.8 | 72.8 | 115.9 |

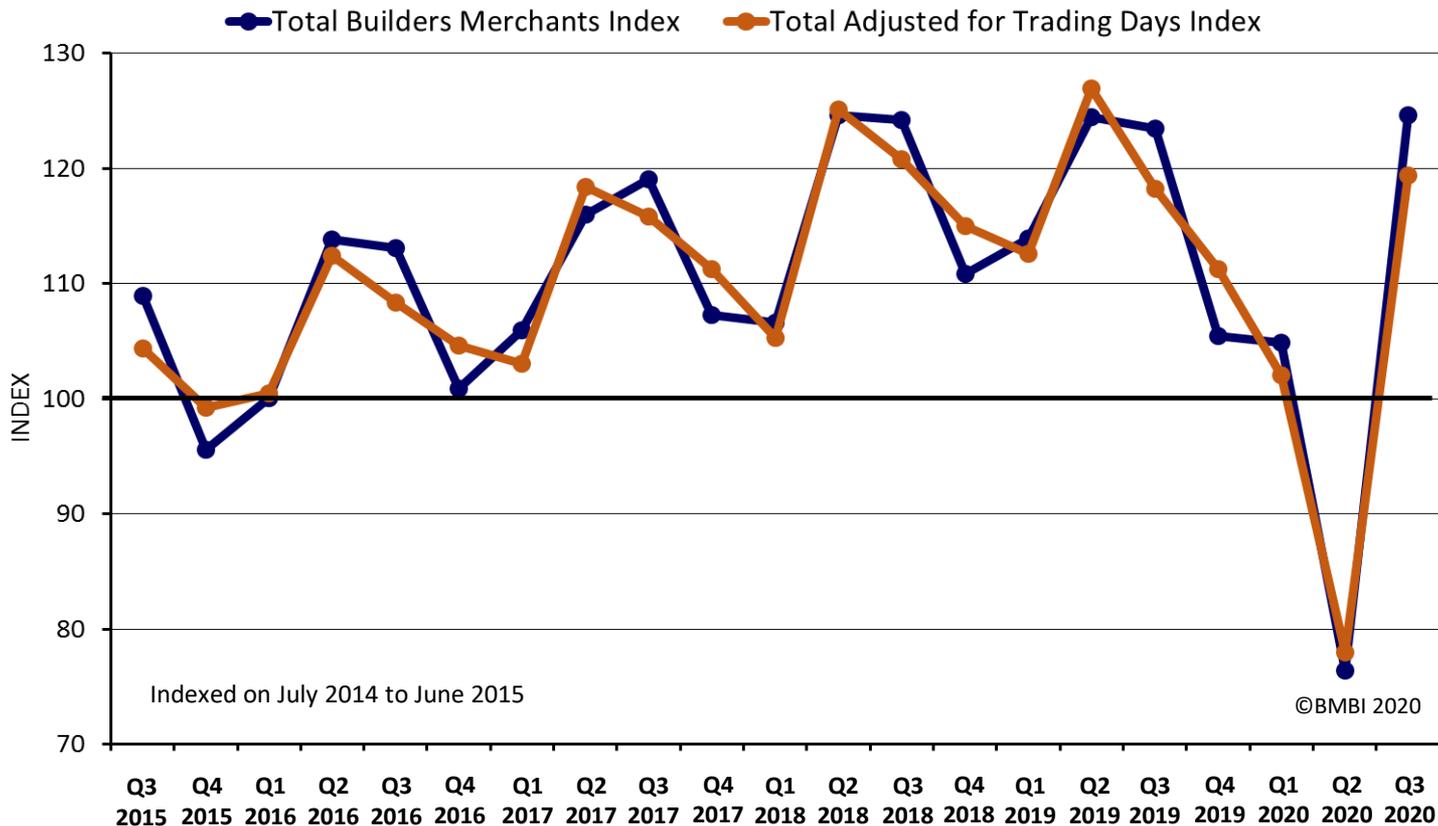
*Click the web link below to see the complete series of quarterly indices from Q2, 2015.

 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Quarterly: Index

Adjusted and unadjusted for trading days

Total Builders Merchants Index v Total Adjusted for Trading Days Index



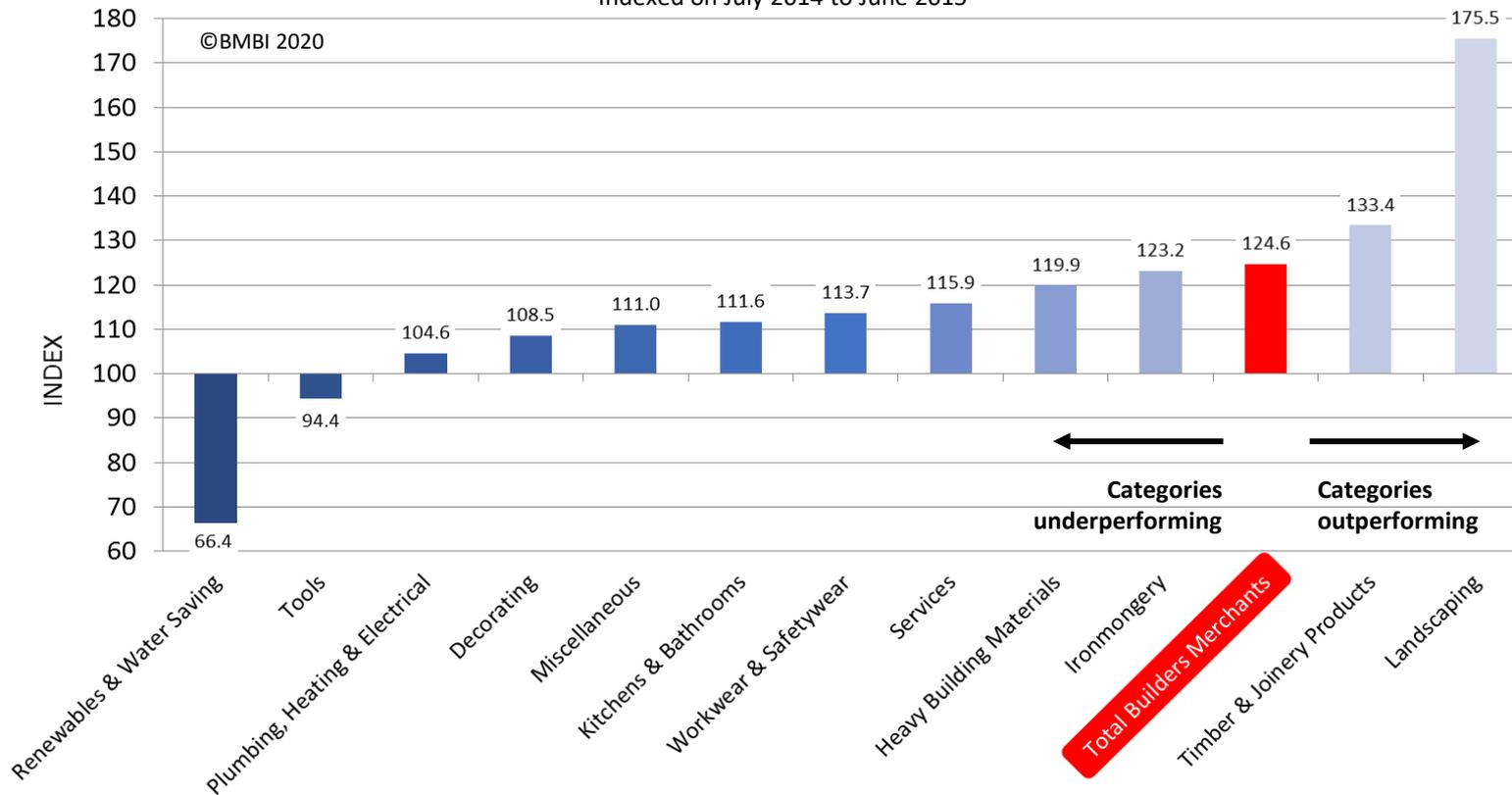
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Quarterly: Index and Categories

Q3 2020 index

Quarter 3 2020

Indexed on July 2014 to June 2015



 Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

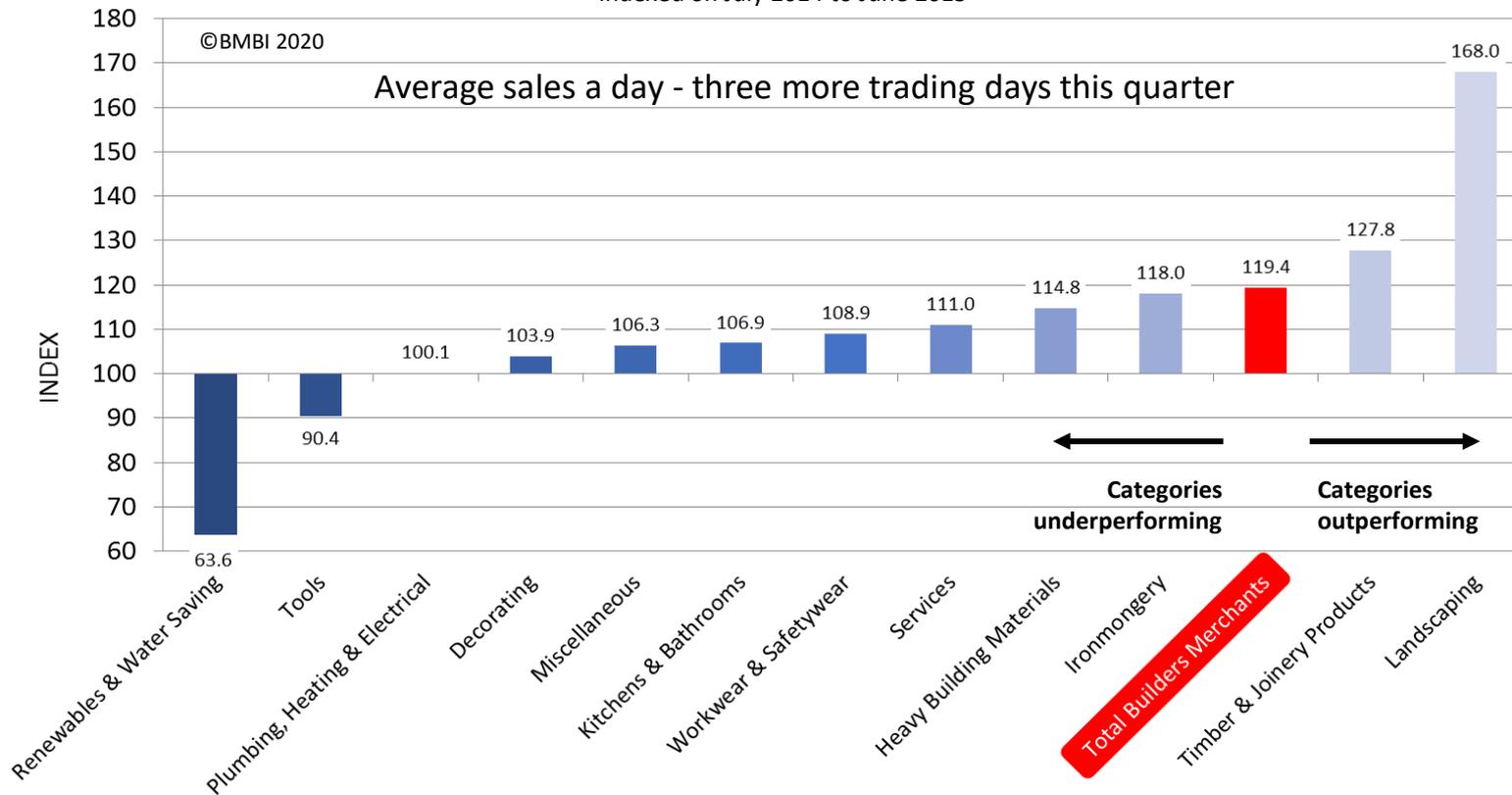
Quarterly: Index and Categories

Q3 2020 average sales a day index



Quarter 3 2020

Indexed on July 2014 to June 2015



Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

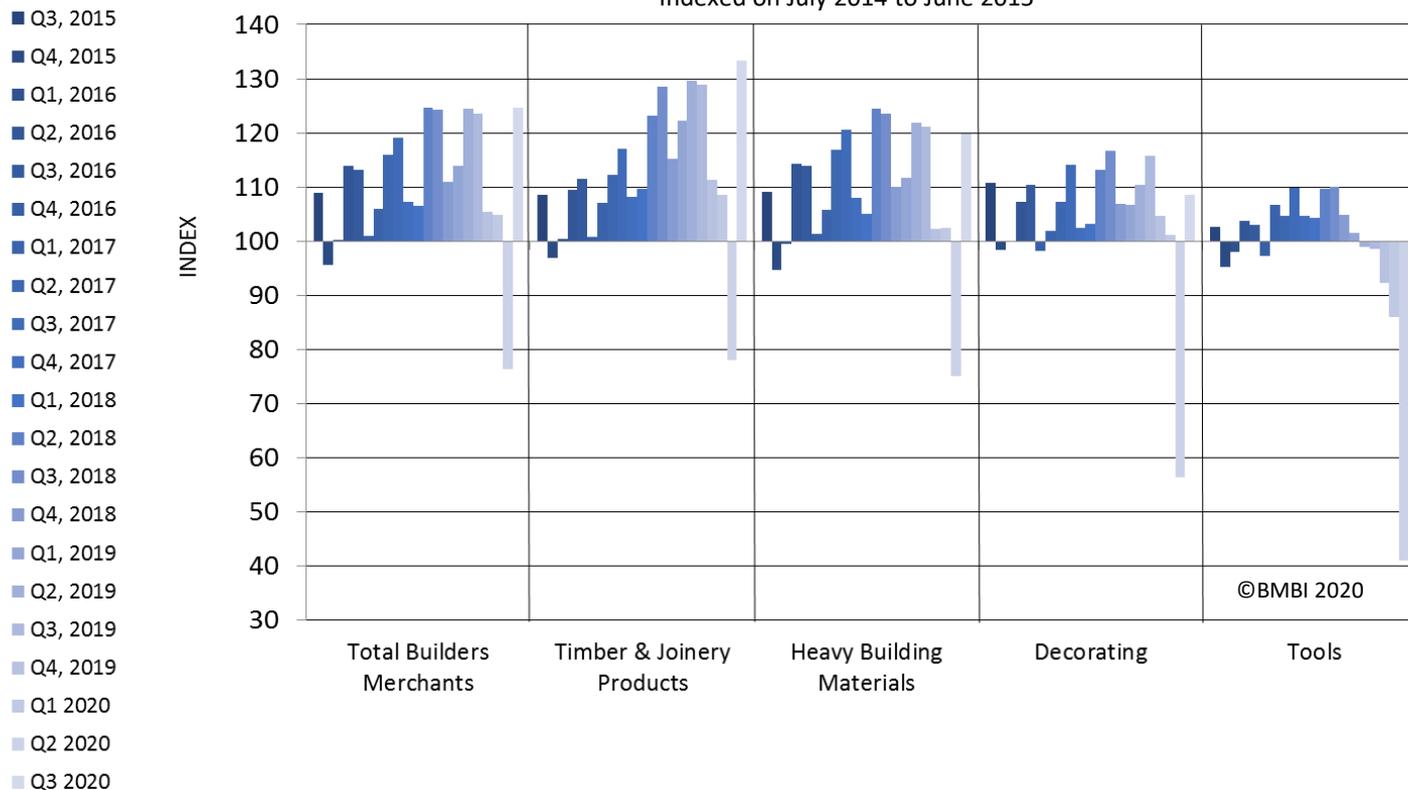
Quarterly: Index and Categories

Quarterly indices



Quarterly Indices Q3 2015 to Q3 2020

Indexed on July 2014 to June 2015



©BMBI 2020

Source: GfK's Builders Merchants Total Category Report July 2015 to September 2020

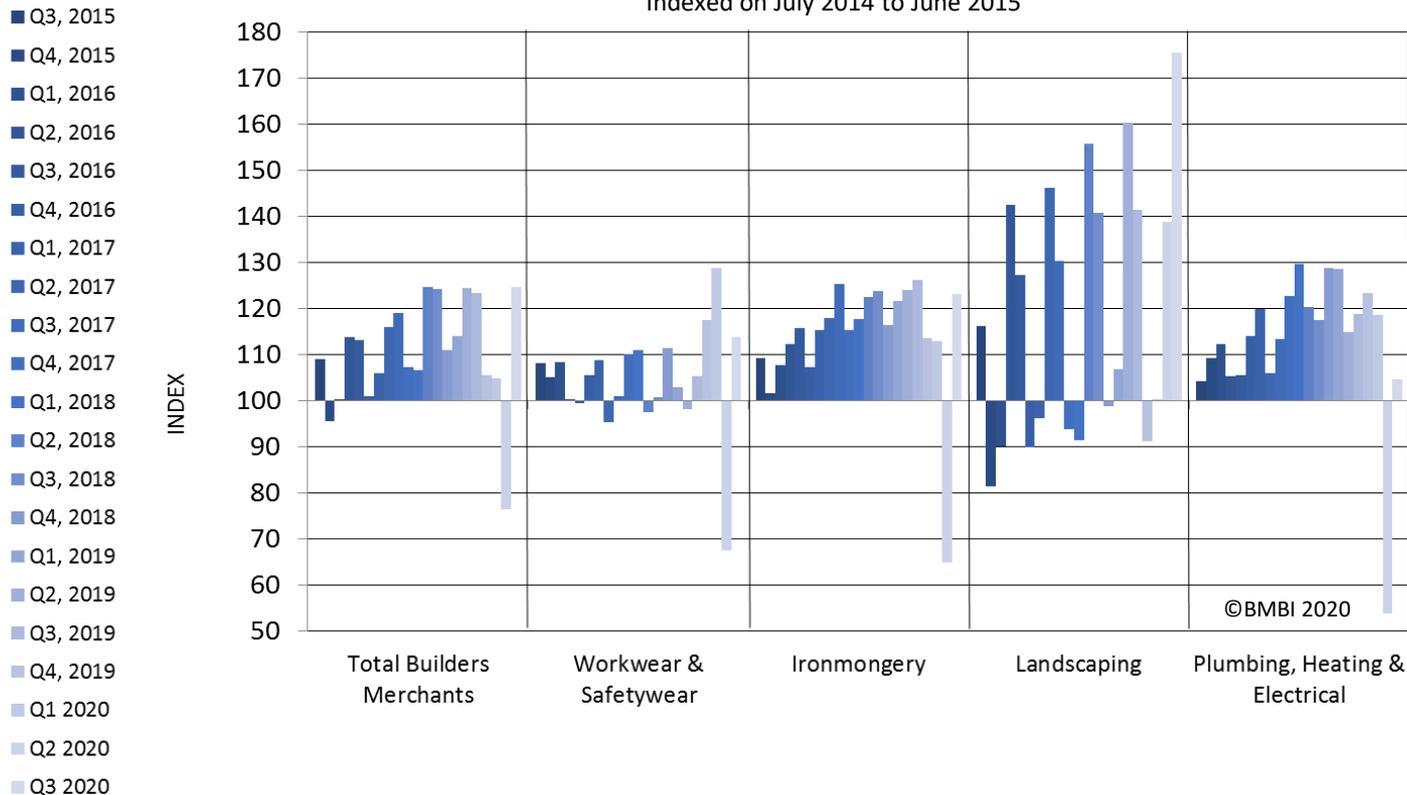
Quarterly: Index and Categories

Quarterly indices



Quarterly Indices Q3 2015 to Q3 2020

Indexed on July 2014 to June 2015



©BMBI 2020

Source: GfK's Builders Merchants Total Category Report July 2015 to September 2020

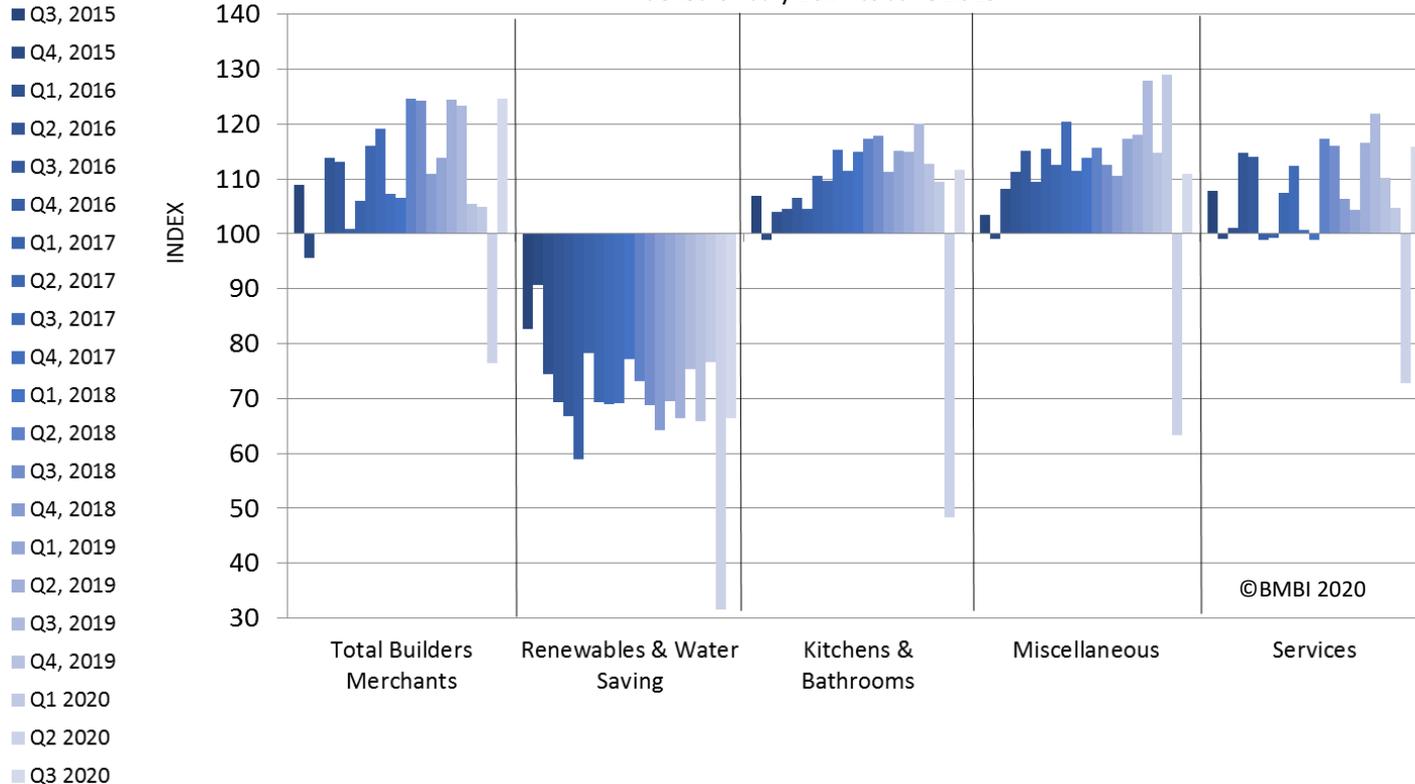
Quarterly: Index and Categories

Quarterly indices



Quarterly Indices Q3 2015 to Q3 2020

Indexed on July 2014 to June 2015

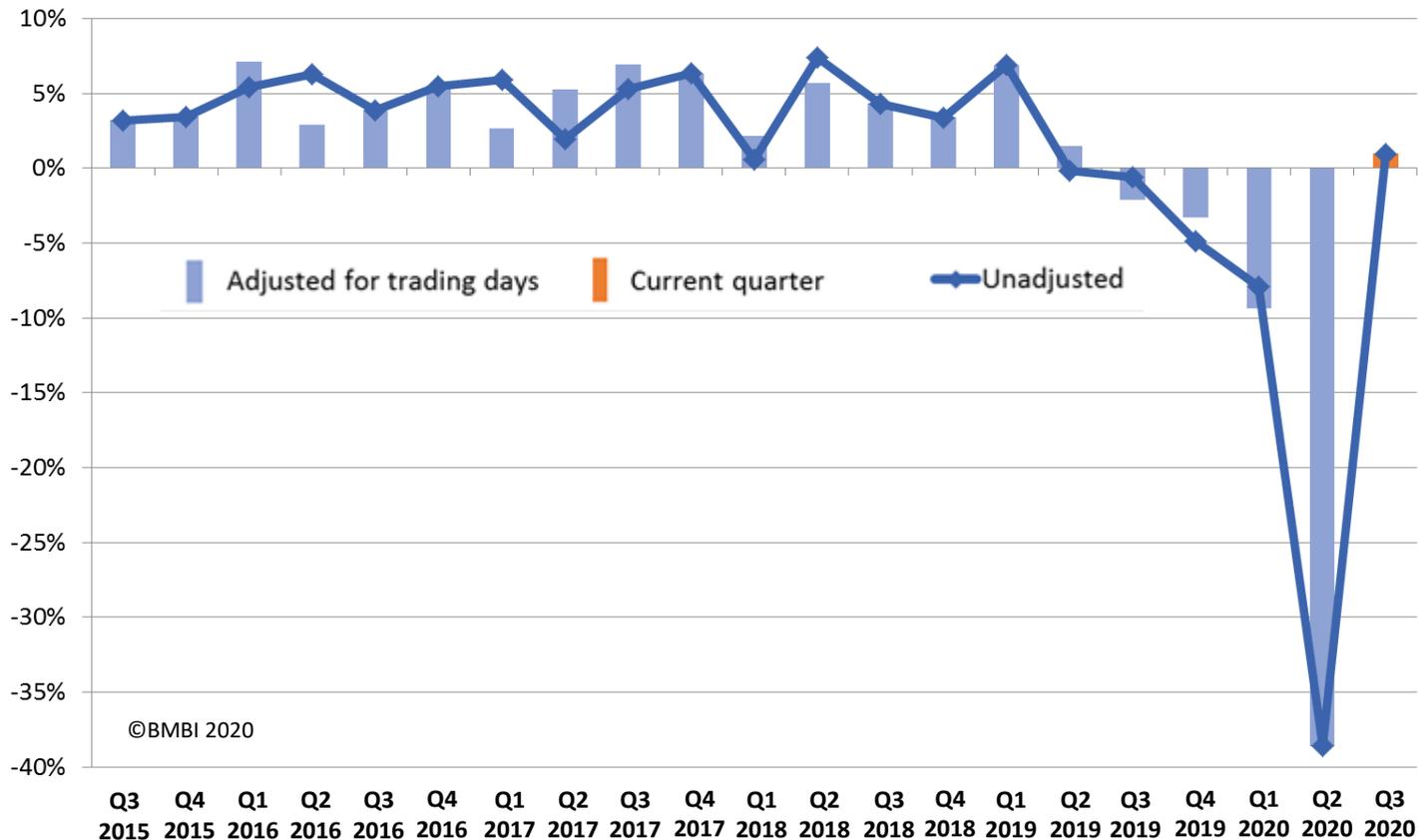


GfK Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Quarterly: Sales Indices

Adjusted and unadjusted for trading days

Quarterly Indices: Year on Year



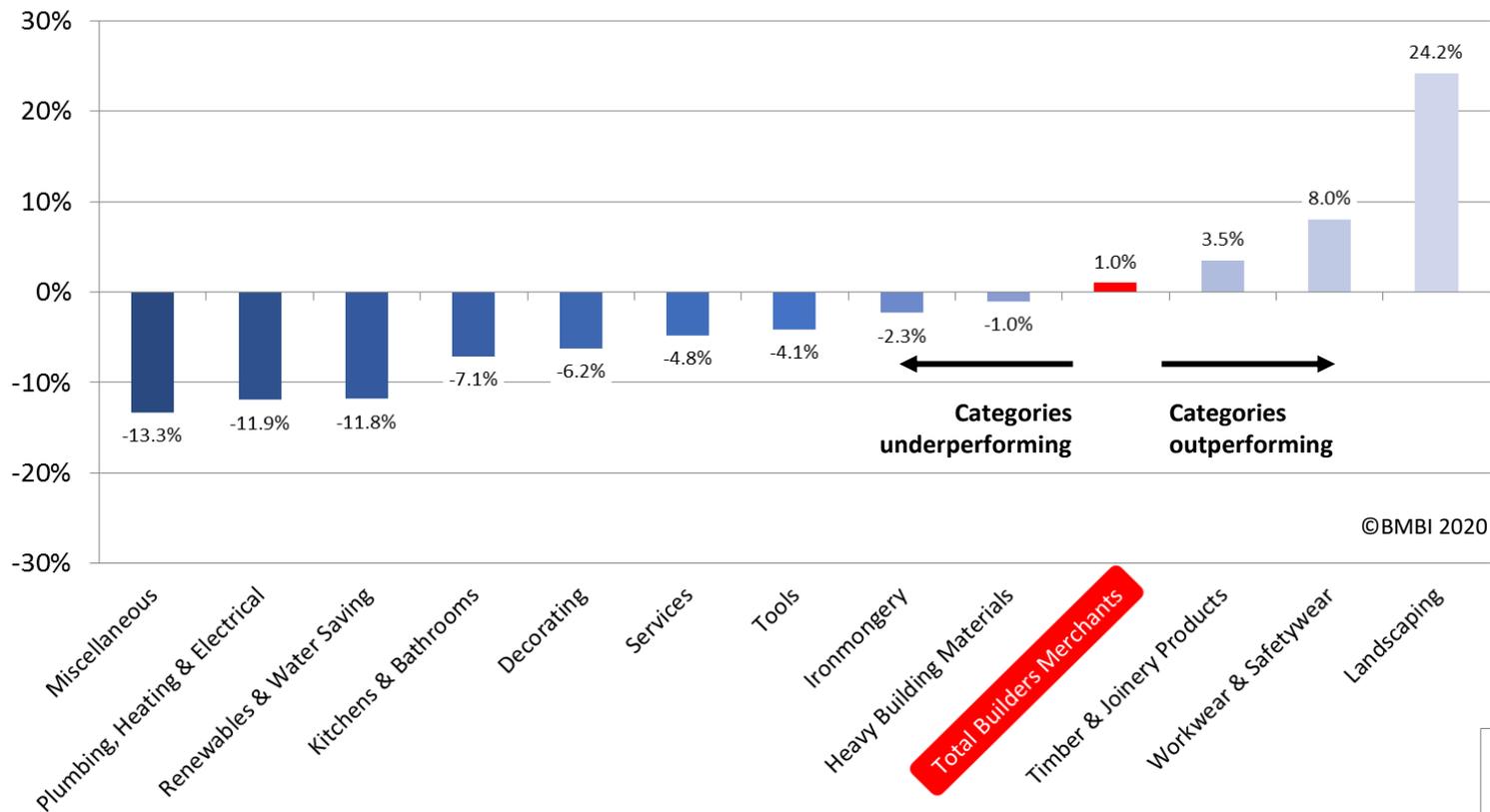
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Quarterly: This Year v Last Year

Q3 2020 sales indices



Quarter 3 2020 index v Quarter 3 2019 index



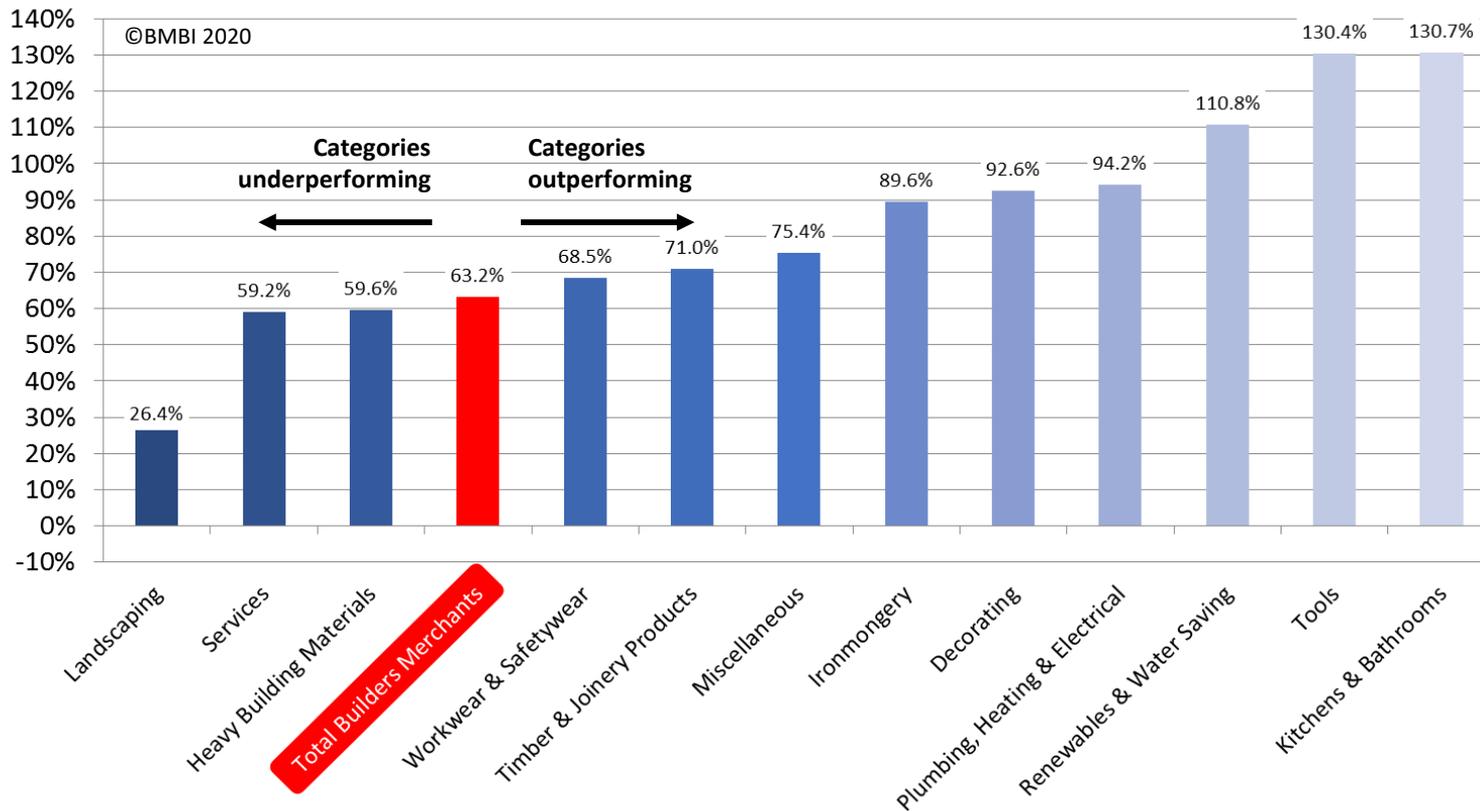
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Quarterly: Quarter on Quarter

Q3 2020 sales indices



Quarter 3 2020 index v Quarter 2 2020 index



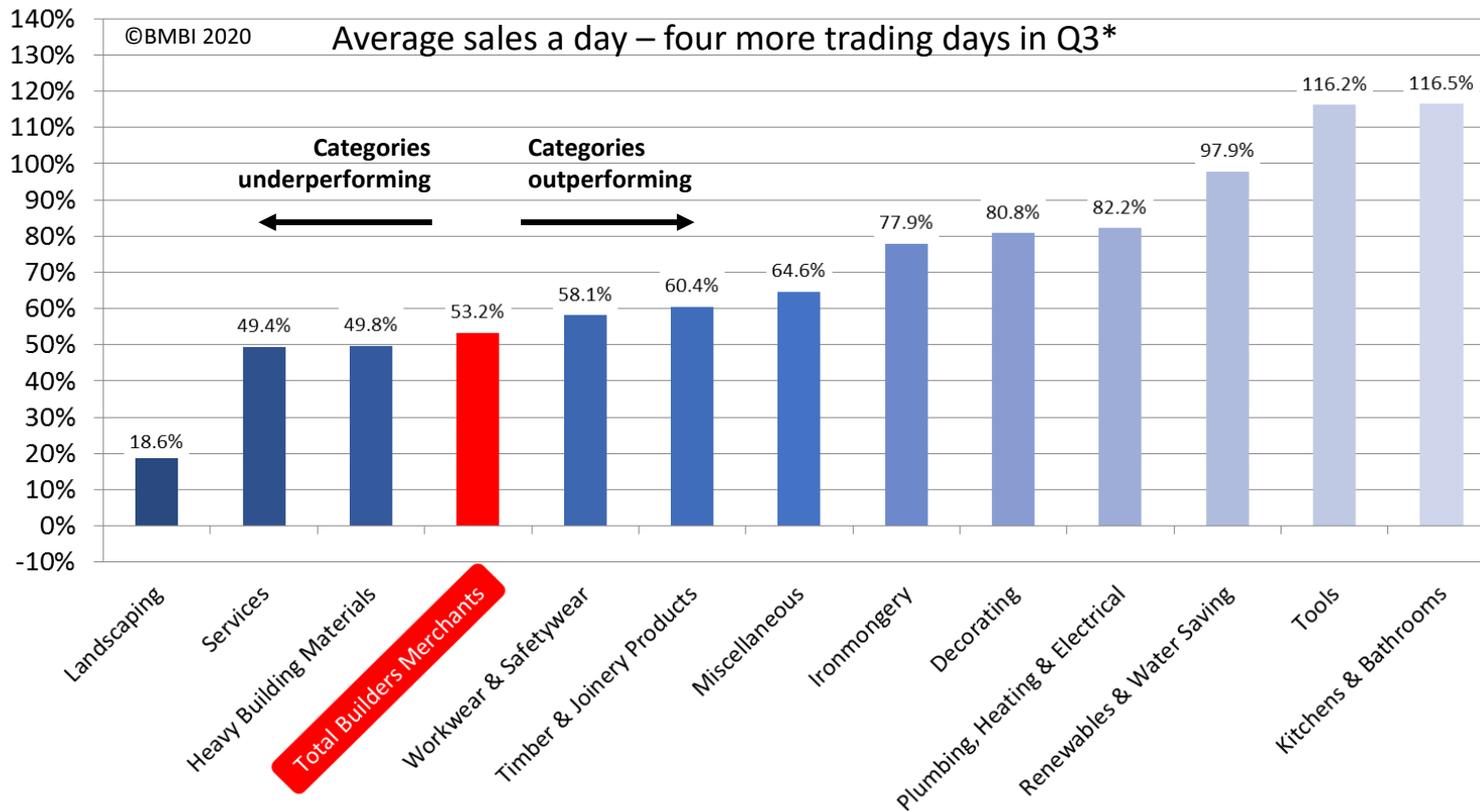
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Quarterly: Quarter on Quarter

Q3 2020 average sales a day indices



Quarter 3 2020 index v Quarter 2 2020 index



GfK Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

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

Monthly: Index and Categories

September 2019* – September 2020

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



| MONTHLY SALES VALUE INDEX | Index | 2019 | | | | 2020 | | | | | | | | |
|---------------------------------|------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|-------------|-------------|--------------|--------------|--------------|--------------|
| | | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | June | July | Aug | Sep |
| Total Builders Merchants | 100 | 118.8 | 126.2 | 113.3 | 76.8 | 104.7 | 106.9 | 103.1 | 29.0 | 78.7 | 121.4 | 131.9 | 113.3 | 128.7 |
| Timber & Joinery Products | 100 | 125.4 | 134.4 | 120.4 | 79.1 | 111.5 | 109.0 | 105.0 | 26.9 | 80.5 | 126.7 | 140.3 | 120.6 | 139.3 |
| Heavy Building Materials | 100 | 116.9 | 123.5 | 109.9 | 73.5 | 101.7 | 103.8 | 102.0 | 30.5 | 78.5 | 116.4 | 125.6 | 108.6 | 125.4 |
| Decorating | 100 | 111.5 | 121.5 | 112.5 | 80.0 | 103.6 | 104.5 | 95.2 | 19.8 | 54.8 | 94.4 | 112.4 | 100.1 | 113.1 |
| Tools | 100 | 96.0 | 108.9 | 100.8 | 67.0 | 91.8 | 91.9 | 74.2 | 8.6 | 35.1 | 79.3 | 99.0 | 85.8 | 98.5 |
| Workwear & Safetywear | 100 | 110.7 | 135.0 | 134.8 | 82.4 | 119.4 | 127.7 | 139.1 | 37.7 | 66.6 | 98.2 | 131.7 | 98.4 | 111.1 |
| Ironmongery | 100 | 122.0 | 133.2 | 120.0 | 87.7 | 118.7 | 116.1 | 104.0 | 27.3 | 58.9 | 108.8 | 128.7 | 113.6 | 127.3 |
| Landscaping | 100 | 122.6 | 116.3 | 94.9 | 62.4 | 86.9 | 103.0 | 110.4 | 40.3 | 152.5 | 223.7 | 208.2 | 157.2 | 161.0 |
| Plumbing, Heating & Electrical | 100 | 123.4 | 140.7 | 133.7 | 95.9 | 126.3 | 124.8 | 104.3 | 25.4 | 51.8 | 84.4 | 103.1 | 95.3 | 115.4 |
| Renewables & Water Saving | 100 | 73.0 | 74.0 | 72.0 | 51.4 | 75.2 | 86.1 | 68.6 | 12.7 | 26.7 | 55.1 | 69.3 | 58.2 | 71.9 |
| Kitchens & Bathrooms | 100 | 116.9 | 127.6 | 125.4 | 85.4 | 109.1 | 117.5 | 101.7 | 14.1 | 43.7 | 87.3 | 111.1 | 106.3 | 117.3 |
| Miscellaneous | 100 | 128.5 | 131.8 | 122.0 | 90.8 | 119.9 | 114.7 | 152.6 | 36.7 | 55.1 | 98.0 | 112.4 | 98.2 | 122.3 |
| Services | 100 | 116.6 | 125.5 | 115.7 | 89.7 | 103.0 | 106.1 | 105.3 | 42.3 | 70.2 | 105.9 | 119.4 | 109.2 | 119.2 |

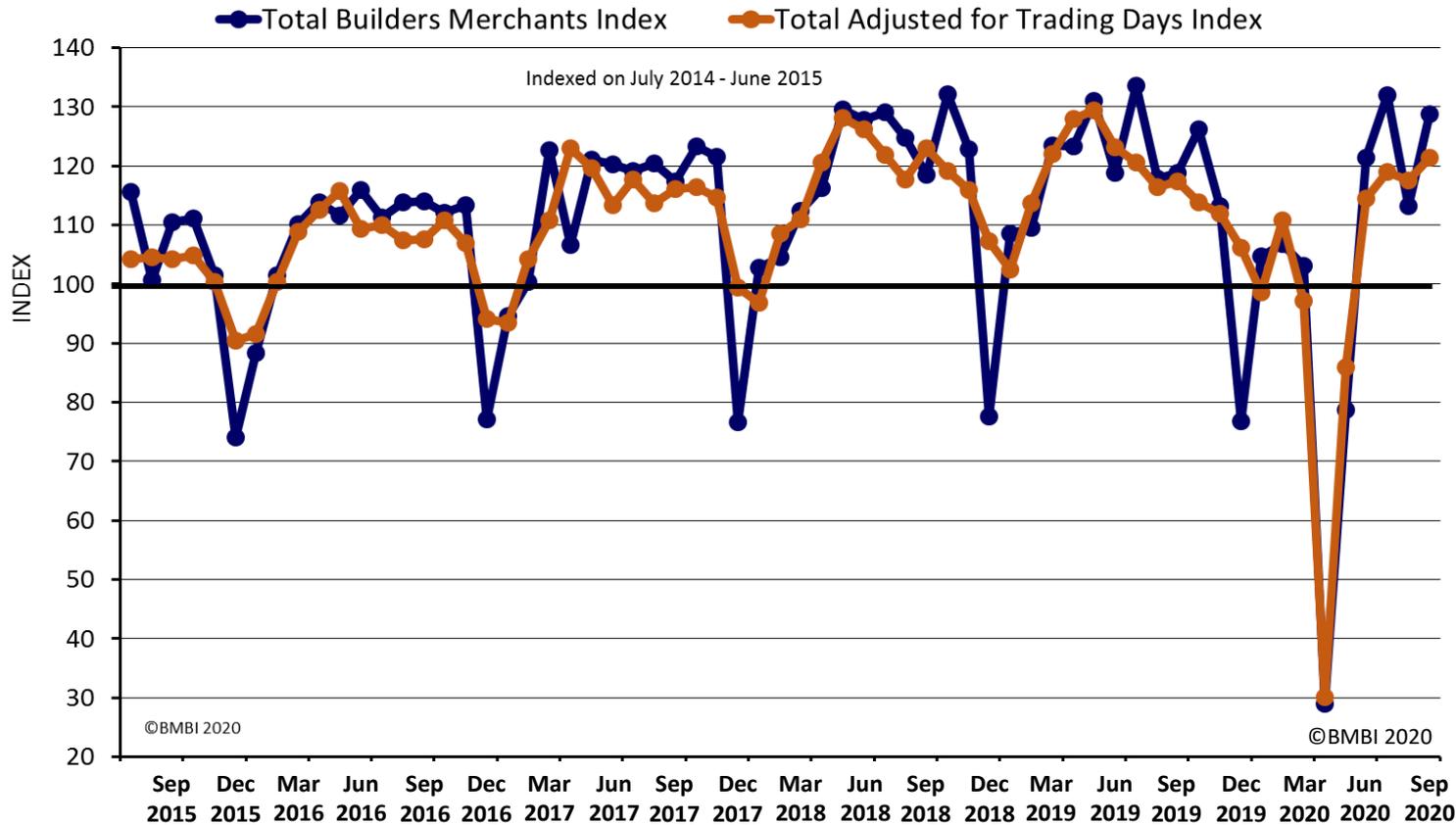
*Click the web link below to see the complete series of indices from July 2015.

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Monthly: Index

Adjusted and unadjusted for trading days

Total Builders Merchants Index v Total Adjusted for Trading Days Index



Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

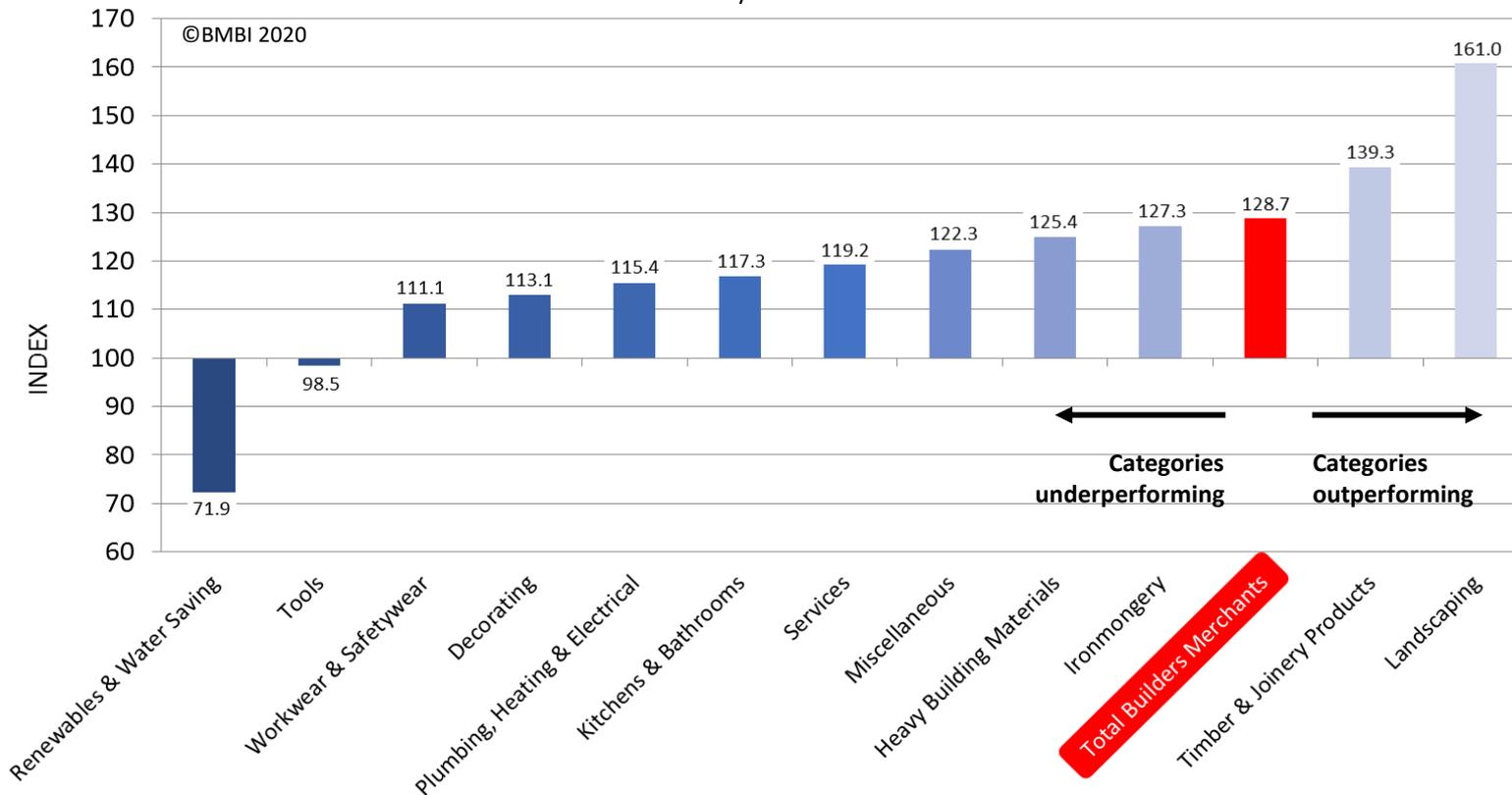
Monthly: Index and Categories

September 2020 index



September 2020 Index

Indexed on July 2014 to June 2015



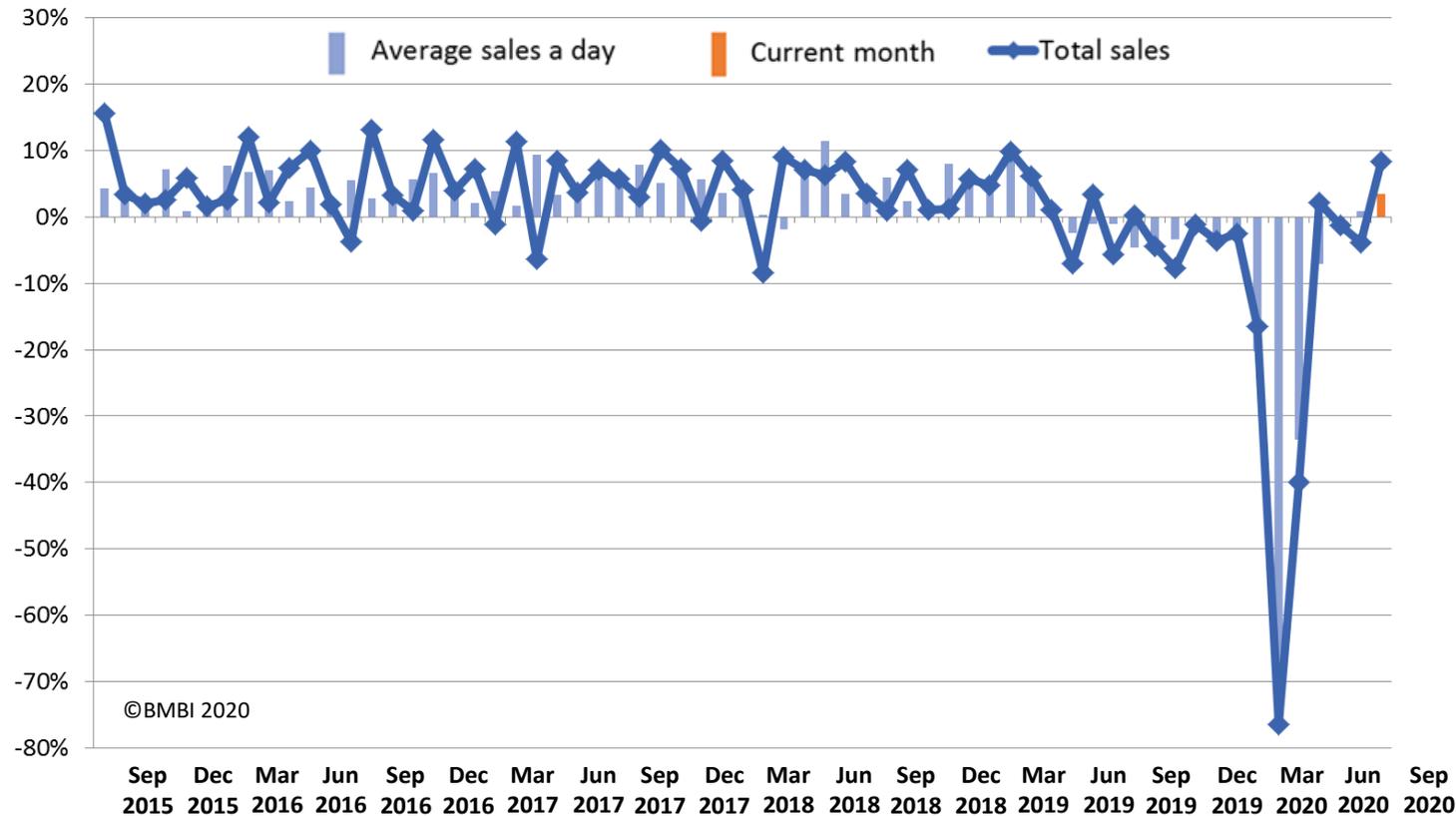
GfK Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Monthly: Sales Indices Year on Year

Adjusted and unadjusted for trading days



Monthly: Year on Year



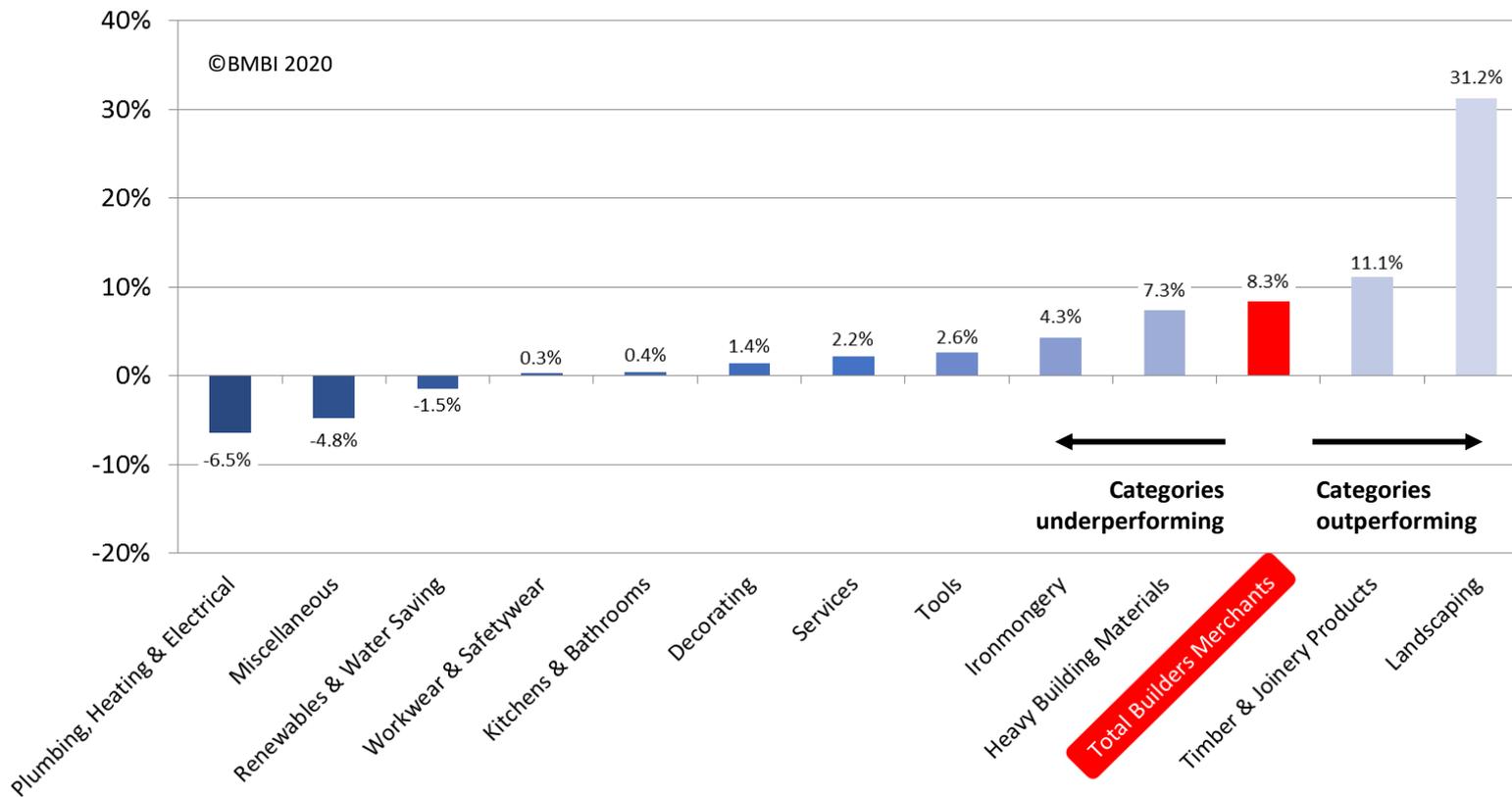
Source: GfK's Builders Merchants Total Category Report July 2015 to September 2020

Monthly: This year v last year

September 2020 sales indices



September 2020 index v September 2019 index



Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Monthly: This year v last year

September 2020 average sales a day indices



September 2020 index v September 2019 index



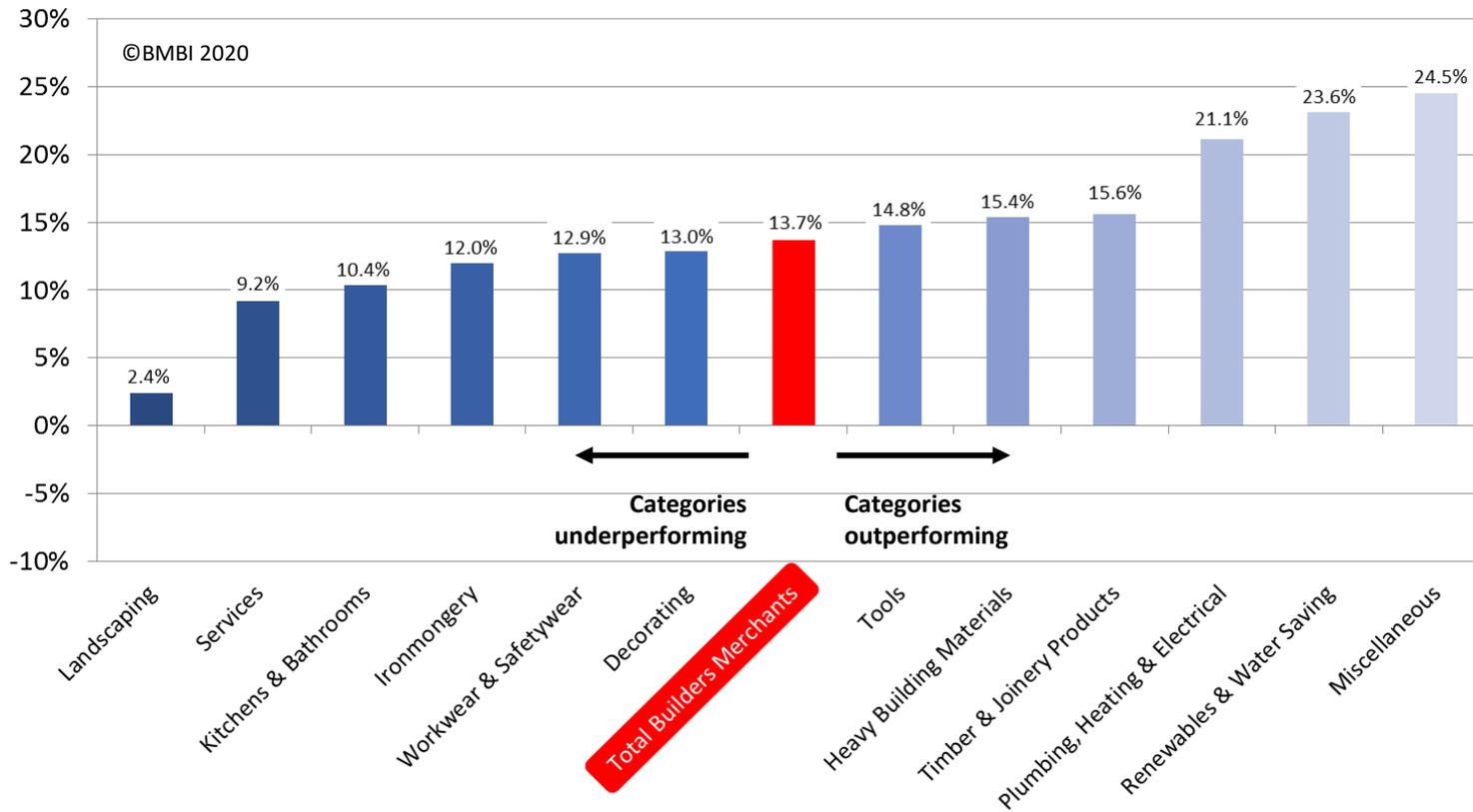
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Monthly: This month v last month

September 2020 sales indices



September 2020 v August 2020

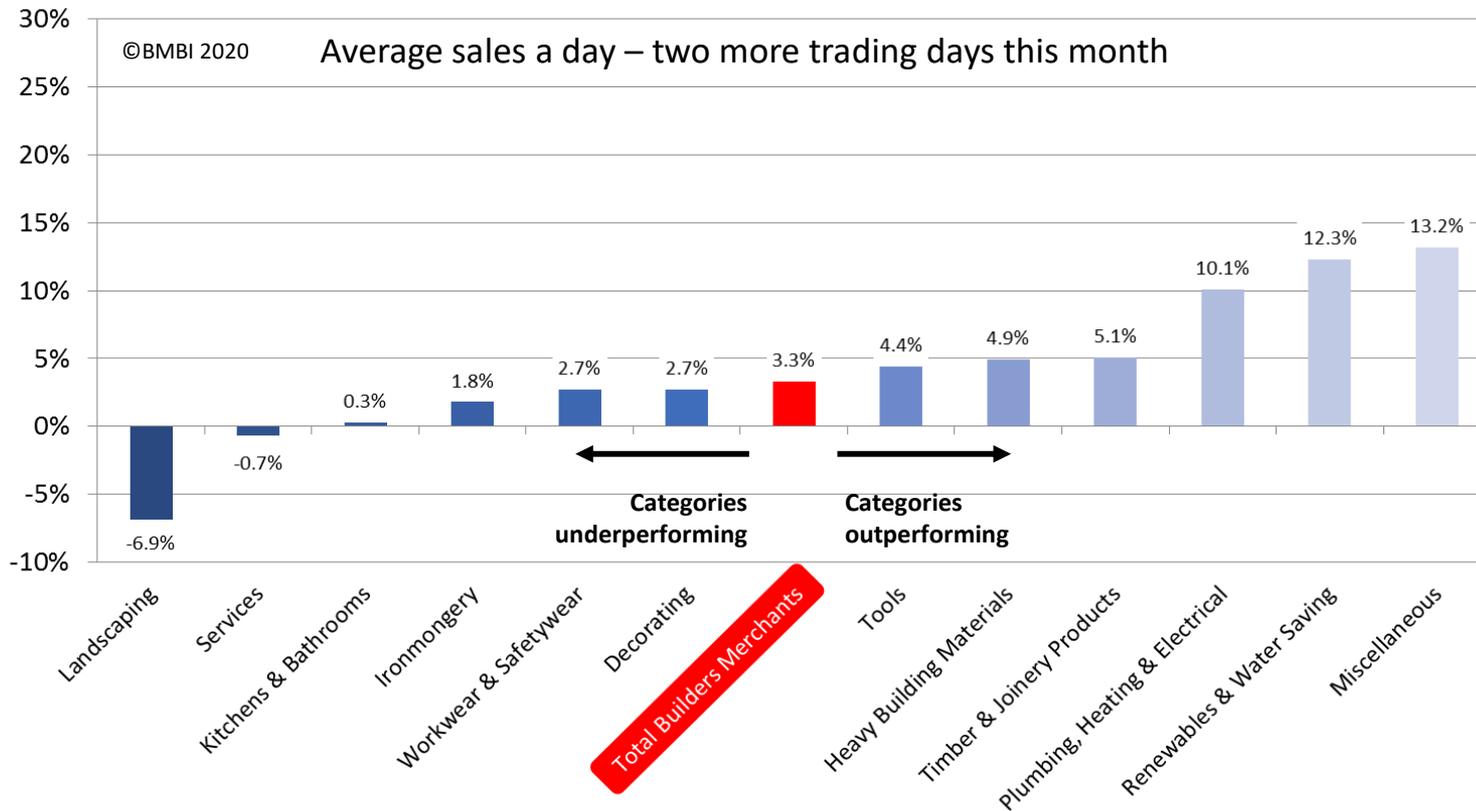


GfK Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Monthly: This month v last month

September 2020 average sales a day indices

September 2020 v August 2020



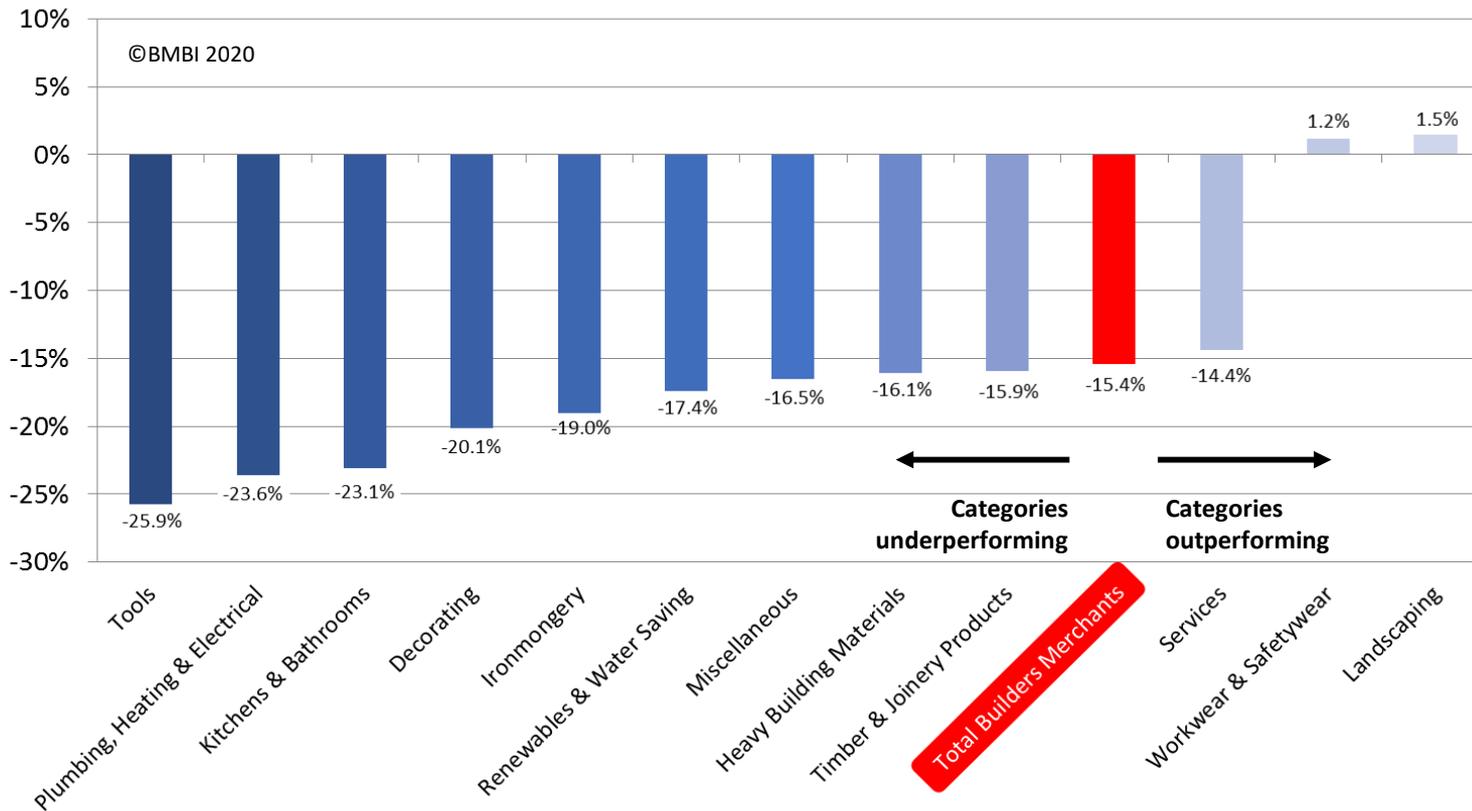
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Year to date: Year on Year

Last 9 months sales indices



Year to date: Jan 20 to Sep 20 index v Jan 19 to Sep 19 index



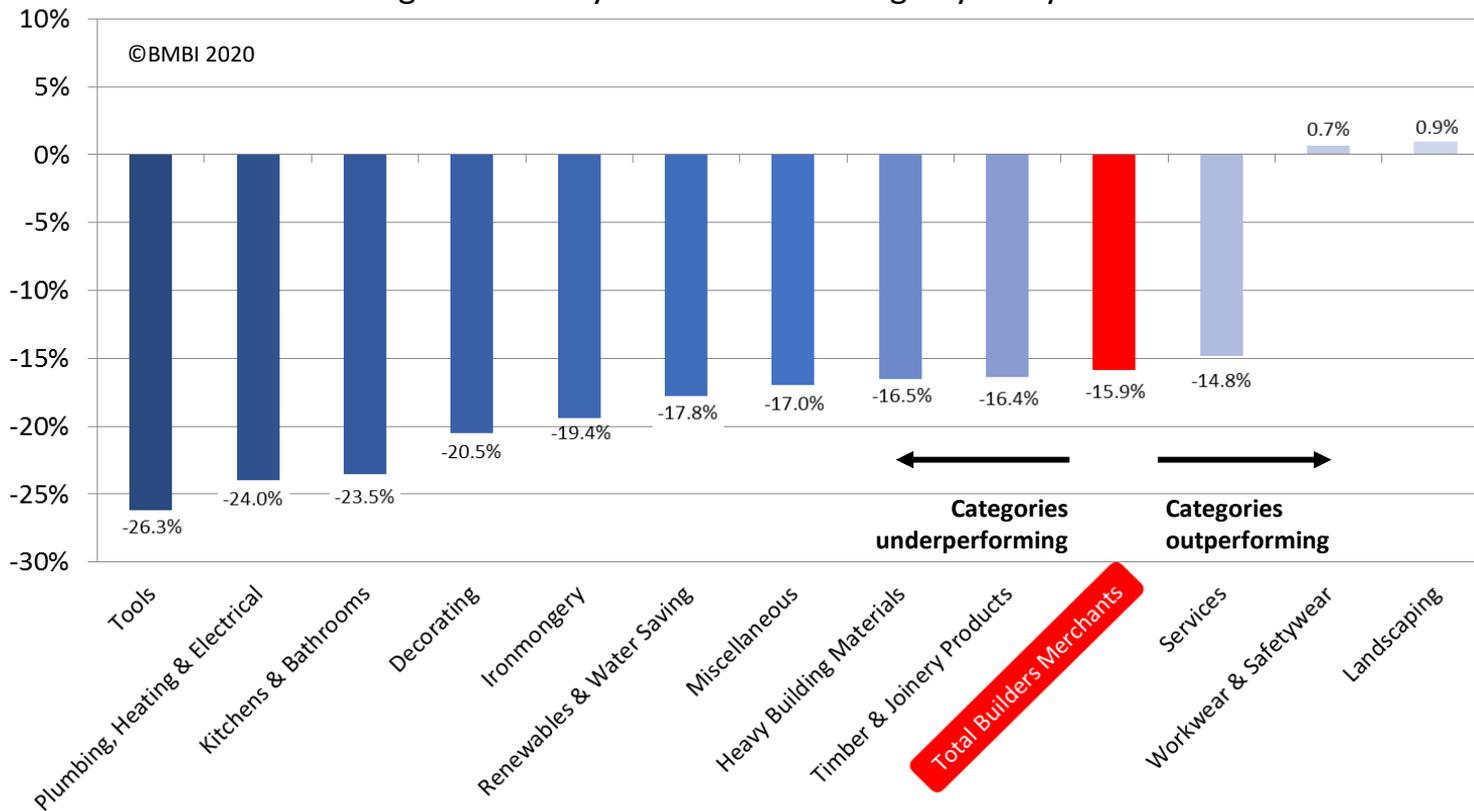
Source: GfK's Builders Merchants Total Category Report July 2015 to September 2020

Year to date: Year on Year

Last 9 months average sales a day indices

Year to date: Jan 20 to Sep 20 index v Jan 19 to Sep 19 index

Average sales a day – one more trading day this year*



Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

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

Expert Panel

Website & Product Data Management Solutions



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

As the country slides into increasingly restrictive measures in response to the second wave of the pandemic, merchants must get onboard with the digitalisation of their businesses. In late October, the CLC (Construction Leadership Council) spoke at the BMF Digital & Technology Forum and highlighted that the digital economy is growing seven times faster than the offline economy and is accelerating quickly.

The first wave caused an acceleration of merchants getting their online operations up and running. The second wave is likely to benefit those merchants who acted early. However, building a website is not enough. It is about digitalising the entire business model. The most successful merchants have been the ones that have recognised that it goes across culture, pricing, product data, stock management, delivery and more.

One of the exciting trends that have emerged is the drive to buy local and the willingness to pay more for good local service. Big data company IRI revealed that more than half of consumers (55%) prefer to buy local brands. While this survey was focused on retail, it provides an insight for what customers want and are prepared to pay for and dispels the myth that by trading online, margins go down.

Our own industry data shows that merchants with a trading website get more than half of their web sales outside regular trading hours, so it's easy to expect that this may be otherwise lost sales opportunities.

Merchants provide added value via the locations of their branches and choice of their delivery and collection services. Those that have organised their yards, stock management and online delivery, including click and collect, will be the biggest winners, but this all takes investment.

Some merchants may want to ride it out and sit tight – but even an optimist would see COVID continuing at least into the middle of 2021. The World Health Organisation (WHO) said in June that only about 10% of the world's population has had COVID, so it has some way to run. Throw in the uncertainties of Brexit and it is clear that businesses doing things the old way in a new world will not be as likely to survive as those who have embraced digital.

“The first wave caused an acceleration of merchants getting their online operations up and running. However, building a website is not enough. It is about digitalising the entire business model...across culture, pricing, product data, stock management, delivery and more.”

Expert Panel

Drylining Systems

(Part of Heavy Building Materials)



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

As we enter a second national lockdown, COVID-19 continues to have an impact on construction. However, this time, Government has made it clear that construction and manufacturing are essential to the economy and should stay open, utilising our implemented COVID-19 safe operating procedures. So, we don't expect significant disruption in Q4.

Compared to Q2, our performance was much stronger between July and September. The improvement was driven by the new-build market continuing in a Covid-safe environment, and the home improvement pound with vast numbers of people spending more time at home keen to improve their living, and their home-working space.

With homeowners now able to take advantage of the Government's Green Homes Grant, we are likely to see an increased demand for our internal wall insulation solutions over the Winter months. For this incentive to truly generate the green benefits it intends, homeowners will only be able to use installers who have been 'certified' and attended an accredited installation course, such as our own Internal Wall Insulation course.

The new build residential market continues to be buoyant and a number of factors are contributing to this, including the Stamp Duty Holiday announced in Q2. Our housebuilder customers are reporting an increase in the need for available, semi-skilled labour on site, and this trend is reflected in the high levels of enrolment numbers we are seeing in courses such as our Site Ready Skimming Course. It's precisely these sorts of practical, high-intensity upskilling courses that will support today's skills demand and enable semi-skilled trades people to secure work on site.

The severe economic impact of COVID-19 will continue to be felt as we enter 2021. And while Brexit was bumped by the pandemic from the headlines, it's very much on business agendas, as we all make certain we are as prepared as we can be to ensure continuity of supply for the construction industry. Q4 trading is likely to get a final boost as companies stock build in anticipation of uncertainty about a deal, on the approach to a Brexit agreement deadline.

“While Brexit was bumped by the pandemic from the headlines, it's very much on business agendas, as we all make certain we are as prepared as we can be to ensure continuity of supply for the construction industry. Q4 trading is likely to get a final boost as companies stock build in anticipation of uncertainty about a deal...”

Expert Panel

Civils & Green Infrastructure

(Part of Heavy Building Materials)



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

Having seen Covid restrictions ease and relatively consistent trading return to all civils sectors, we're now moving a couple of steps back with limitations on personal movement. The key difference now is that we have experience of what this means commercially. Like most businesses in the supply chain, we have become familiar with all the necessary hygiene measures to maintain safe working environments. We also have clear, unequivocal guidance from government that construction should keep sites open.

Initial signs are that these new lockdown measures are having minimal impact - trading remains steady and order books relatively healthy. The knock-on of lack of availability of certain materials and skilled labour creates uncertainty and the potential for project delays. It is too early to tell quite what the impact on the civils market will be, but the last six months indicate that, weather aside, it should be minimal.

The widening of material options to include plastic in the sewer market, brought about by the recent changes to the codes governing adoptability, is beginning to see new opportunities. As with all such fundamental changes to regulations, it's knowledge and expert advice that unlocks the full commercial potential. In our current situation, digital learning platforms are effective in delivering information tailored to the needs of the audience.

Green Urbanisation: As the pandemic continues, more research is being conducted into the monetary value of having access to green spaces. 'Natural Capital Accounting' allows changes to urban green ecosystems to be mapped in economic return. This allows green infrastructure to be added to regional balance sheets and, as a result, to shape planning policy and development requirements. In 2021 we expect an updated Environment bill will set targets of a minimum 10% biodiversity net gain on all new developments. This will be an important shift in planning regulation and will require new solutions centred on green urbanisation techniques and Natural Capital Accounting.

The need for enhanced environmental return on development is becoming fundamental to highways and rail infrastructure. Green corridors, created along these linear assets, will allow sustainable interconnections between urban centres, allowing species migration and enhancing resilience to the impacts of climate change and population expansion.

“We have clear, unequivocal guidance from government that construction should keep sites open. Initial signs are that these new lockdown measures are having minimal impact - trading remains steady and order books relatively healthy.”

Expert Panel

Lead

(Part of Heavy Building Materials)



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

Without stating the obvious, the last few months have been globally turbulent and unpredictable. Nobody could have planned for the events that have unfolded over the summer of 2020.

Every day is now a new day in a 'new normal' with its own challenges, whether it's with staffing due to people having to self-isolate, or issues with the supply chain and extended delivery terms.

However, the construction sector stayed open for business, and it will remain open as we move into winter. The construction and roofing sectors have been busy, which opened up opportunities for many, while posing many challenges for others. It could have been a lot worse – we could have dipped into a recession in the summer.

Builders' merchants are resilient and have proved this by adapting quickly, especially with regards to managing staff shortages, extending opening hours, and taking a fresh look at how they operate by introducing e-commerce and embracing digital technologies.

Looking to the next quarter, we cannot push aside Brexit as that will have an impact on supply of raw materials and recruitment. Unfortunately, it is still difficult for us to have a clear vision. Let's hope the winter months are politically quiet so Government can focus on delivering a clear roadmap to Brexit. As a sector, it is also difficult to forecast potential price fluctuations due to the uncertainty around import tariffs. We expect that to become clearer as the effects of Brexit settle later in 2021.

I do believe however, that it is crucial that none of us lose sight of the long-term while we are stuck in the here and now. Our ambition for 2021 is that the construction and roofing sector return to steady growth, by investing in sustainable manufacturing practices, bridging the skills shortage and forging ahead with a five-year vision.

Although the business rule book has been re-written many times, my message is to look after your mental health and be realistic. As we approach the end of a very difficult year, don't forget your long-term plans, although your journey may be different.

“The construction and roofing sectors have been busy, which opened up opportunities for many, while posing many challenges for others... Builders' merchants are resilient and have proved this by adapting quickly.”

Expert Panel

Bricks & Roof Tiles

(Part of Heavy Building Materials)



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

There are few industries as important to the British economy as construction. Making up over 6% of the UK's GDP and employing about 8% of the nation's workforce, the sector is a vital cog that helps our country continue to move forward.

As a key supplier to the industry, our business has mirrored the strong post-Covid recovery seen from July onwards, and there continues to be significant demand for brick and tile building materials. As we experience our second national lockdown, the sector remains open and busy, with producers and distributors of brick and tile staying open to serve customers.

The recent surge and resulting longer lead times can be attributed to an increase in demand from the major sectors of new build housing, and both public and private RMI (Repair Maintenance & Improvements). Developers are working hard to catch up for time lost due to the impact of COVID's national lockdown. Public RMI spend has moved to external works, often roofing, due to restrictions on entering people's houses, while private RMI has seen a boost due to homeowners investing in their property in lieu of their lost annual holiday.

During this period, many manufacturers' production facilities returned to partial or full production. Since then we have worked hard as a manufacturing industry to maximise the production from our factories, while adhering to the required social distancing protocols.

Customers, particularly merchants and distributors, may have struggled a little more than usual to obtain materials on the spot, and these delays impact building projects large and small. Lead times across the industry as a whole are a little longer than usual and may persist, particularly if demand continues as we expect, and remains strong through to the end of Q1.

Despite these grumbles, the short-term future (because who can look much further?) looks relatively positive and we continue working hard and keeping our customers informed, to offer as much predictability to the supply chain as possible.

“As a key supplier to the industry, our business has mirrored the strong post-Covid recovery seen from July onwards, and there continues to be significant demand for brick and tile building materials. The recent surge and resulting longer lead times can be attributed to an increase in demand from new build housing and RMI.”

Expert Panel

Cement & Aggregates

(Part of Heavy Building Materials)



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

In Quarter 3 2020 the uptick in a strong V-Shaped recovery, fuelled by pent-up demand after lockdown, benefited many businesses.

According to the Mineral Products Association sales volumes of mineral products recovered strongly over the summer, from a low base. Sales of primary aggregates, ready-mixed concrete and asphalt sales increased by about 50% in Q3 compared with Q2. Mortar sales, which ground to a halt in April as a result of widespread housebuilding site closures, rose by 148% over the same period. Year-on-year, across all mineral products however, volumes remain below Q3 2019.

At the time of writing, we're back in lockdown. Lockdown 2.0 is bad news for the entertainment, sports and hospitality sectors, but better news this time for construction. Deemed essential by Government to the UK economy, it stays open.

Nonetheless, there is considerable uncertainty over a sustained recovery with a diversity of views as we head into 2021. Housebuilder Taylor Wimpey says it 'expects results for next year to be materially above the top end of forecasts, with customer demand proving resilient.' In contrast, the Construction Products Association says the housebuilding market is subject to volatility as the stamp duty holiday ends. It also highlights potential rises in unemployment, and the unknowns facing commercial projects over demand for office and retail space. And that's before we get to the potential impacts of Brexit.

In a short period of time we have all adapted our working environments so they are safe for staff and customers, and so businesses can continue to operate effectively. We've also adapted how we communicate and sell to customers in this new normal, exploring and implementing new approaches for delivering value and building mutually-beneficial relationships. Identifying effective digital channels to engage with our market on key topics and keep our brand at the forefront has been integral to this process.

It's been a year of sudden and constant change and I'm sure there will be more over the coming months. But it's not all been negative. It's also given us the opportunity to embrace change and become more productive.

“We’ve adapted how we communicate and sell to customers in this new normal, exploring and implementing new approaches for delivering value and building mutually-beneficial relationships. Identifying effective digital channels to engage with our market has been integral to this process.”

Expert Panel

Shower Enclosures & Showering

(Part of Kitchens & Bathrooms)



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

Q3 sales of bathroom products were boosted as homeowners, who saw money accumulate in their bank accounts faster in lockdown than they could spend it, chose to improve their bathrooms. We expect another boost to bathroom products sales in Lockdown 2.0.

The market is up on the same period last year. Plumbers and installers are busy, with full order books into Q1 2021. That's despite the inconsistent messaging coming out of national and regional governments and assemblies. The UK government though has been clear: construction is essential, and installers can continue to work safely in the home.

On the supply side, there's port congestion in China, with high volumes being shipped to the recovering world economy. Worse, companies are importing extra ahead of the Chinese New Year, when virtually the whole of February is lost from the extended break. And they're importing extra to beat increased tariffs from a hard Brexit. There's a shortage of large containers, so importers are having to accept smaller containers, which adds to the problem in the UK. Felixstowe and Southampton are clogged with empty containers. So, ships are getting bounced to other ports. Haulage companies and drivers are unable to provide delivery slots, and companies are waiting over two weeks for deliveries from Felixstowe in particular.

Each link in the supply chain is only as strong as the one next to it: if one link breaks the whole chain fails. With Brexit looming, successful supply chains will be those who work closest together, sharing information about stocks and expected sales. Supply 'chains' that try to maximise the interests of individual links will fail first and suffer most.

One important effect of post-Brexit change is the new trademark that comes into effect from January 2021 - UKCA (UK Conformity Assessed). By the 31st December 2021, all products sold in our sector will require this mark, rather than the previous European CE mark. After 1st January 2022 products showing only CE marks entering the general marketplace will not conform to standard. The new UKCA is currently not recognized in Europe as a legal standard. Products that are sold in both the EU (including Eire) and UK can be dual marked.

“Q3 sales of bathroom products were boosted as homeowners, who saw money accumulate in their bank accounts faster in lockdown than they could spend it, chose to improve their bathrooms... Plumbers and installers are busy, with full order books into Q1 2021.”

Expert Panel

Paint

(Part of Decorating)



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

In Q2 during lockdown, Britain fell in love with decorating again, with 'do it yourself' booming to the detriment of 'do it for me'. This continued into Q3. In July, the announcement of temporary reduced stamp duty rates created a boom in the housing market. Lots of decorating to showcase the 'For Sale' home, and lots of decorating when people moved into their new homes. The retail market had a bumper Q3 with masonry and woodcare sales rocketing.

The Trade market started to open in the mid to latter part of Q2. House build sites were one of the fastest sectors to recover. Private Housing RMI, which was notably impacted in Q2 as traders were unable to work in people's homes during lockdown, quickly recovered. Homeowner research told us 26% delayed decorating projects despite the boom in DIY. Fantastic for the market everyone says! However, demand massively outstripped supply, and continues to do so. If enough paint could be made, there aren't enough cans to put it in. It's the perfect storm and that's the theme for Q3 as Britain continues to love decorating.

Research we conducted with trade professionals in August is interesting:

- 84% of trade paint appliers had been impacted by COVID.
- 75% indicated that work had picked up but were nervous about the rest of the year.
- 23% had temporarily changed merchant, but in the main have since returned to their usual merchant.
- 47% said they hadn't changed the products or places they were buying from.

For builders' merchants, there's a huge opportunity in decorating. The Trade paint market in August was tough - down 8% compared to the previous year. In builders' merchants, paint was down 18%, obviously underperforming the market. Generalists remain upbeat about work post-lockdown, but amazingly and worryingly, only 15% of builders buy paint in a builders' merchant. They are walking out the door and buying paint elsewhere. What an opportunity!

Finally, Brexit – deal or no deal and the uncertainty. Recent research shows that 20% of the 400,000+ paint appliers in the UK would consider leaving. Something for us all to think about on how we shape our businesses as we move into 2021.

“The retail market had a bumper Q3 with masonry and woodcare sales rocketing... However, demand massively outstripped supply. If enough paint could be made, there aren't enough cans to put it in. It's the perfect storm and that's the theme for Q3 as Britain continues to love decorating.”

Expert Panel

Roof Windows

(Part of Timber & Joinery Products)



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

We continue to live in uncertain times. Just as quickly as we adapt to a new normal, so another new normal arrives.

The one constant we can be sure of is change; with the challenges of a second lockdown and Brexit coming down the tracks, it is agility that will set us apart.

At Keylite, we continue to adapt our working practices in line with changing guidance, ensuring our team stays safe while continuing to work effectively for our merchant customers.

Last quarter, we reported encouraging volume growth as our customers emerged from lockdown, the so called V-shaped recovery in full swing. A linear recovery continued into Q3, with volumes by the end of the quarter significantly above expectation.

With a greater proportion of the UK population working from home than ever before, the attention of many has turned to improving our homes to better serve the need for separate spaces for work and family life, be that re-purposing existing rooms to loft conversions and extensions. Roof windows and loft ladders fit these needs well and as we enter Q4 we have enjoyed continuing high demand. We're not alone; the RMI sector is performing strongly, with merchant customers reporting incredibly strong activity levels.

Meanwhile, government policy stimulated construction activity and the clear direction given to construction activity continuing in the second lockdown was welcome. We remain open for business. Together, we'll keep Britain building.

“Last quarter, we reported encouraging volume growth as our customers emerged from lockdown, the so called V-shaped recovery in full swing. A linear recovery continued into Q3, with volumes by the end of the quarter significantly above expectation.”

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.

Q3 demand for PVC-U windows and doors has been strong. So unexpectedly strong, it has triggered supply chain problems, particularly for PVC resin - the raw material for PVC-U profiles from which windows and doors are made. For the first time, window profile has been on allocation. Although it happens occasionally in products such as bricks, PVC profiles have never been on allocation.

Most UK profile extrusion companies are supplied by the same resin producer, a part of the Ineos group, so they are all having trouble getting enough resin to maintain their production. Lead times are extending across the industry as production is restricted by profile supply. Reasons include difficulties restarting resin production after maintenance shutdowns. The price of resin is also being sharply raised in anticipation of Brexit.

Crystal is having a strong November and like much of the industry, we have a healthy order book as people continue to stay home and improve their properties. Conservatories are seeing a strong demand spike as an effective way to increase living space without the planning permission needed for an extension. As more people work from home conservatories are an easy way to add extra living space to compensate.

Online capability is becoming very important and - I agree with Andy Scothern of eCommonSense in the Q2 BMBI report - online is not just a website; it needs to run through the whole business. Recently Jewson invested and escalated its online services during lockdown to great effect, and now supplies a new range from Crystal.

Currently, many merchants' customers who need windows for a project go elsewhere to get them – as they do for trade paint (see Dulux comment). To help merchants access this market we now have seven Crystal Window Centres, which are manned units at merchants to help them promote and sell.

Crystal is optimistic that strong demand will continue into 2021, and we're investing in our own manufacturing capacity with new machinery to enable us to fulfil it. Apart from profile supply problems, which we hope will be resolved, Q1 is looking good for the windows and doors sector.

“Conservatories are seeing a strong demand spike as an effective way to increase living space without the planning permission needed for an extension. As more people work from home conservatories are an easy way to add extra living space to compensate.”

Expert Panel

Steel Lintels

(Part of Heavy Building Materials)



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

The roller coaster of 2020 continues. Q3 2020 rises back to similar levels seen in Q3 2019 and demand into Q4 2020 remains strong. Weather permitting, construction should finish strongly in 2020 and we wait patiently on what is around the corner in 2021. The newly-announced 'social' lockdown, will hopefully reduce the risk in infections, and allow construction to continue in a safer environment.

NHBC reports Q3 2020 completions are just 4% behind Q3 2019, although new home registrations are behind by 25% over the same period. This would suggest we are in a programme of catch up with an end date dictated by the end of the stamp duty holiday and help to buy scheme. Hopefully, Rishi will reconsider options to continue to stimulate construction sooner, rather than later.

Is working from home here to stay? Developers say it has created a trend towards more housing demand in the suburbs and out of town developments. Keystone's recent competition with RIBA on designing a house/development in the suburbs now seems well timed as we encourage architects to add space which meets the modern family requirements, and of course includes a few special lintel designs. Working from home also reduces our Carbon footprint, and at Keystone the climate change topic is high on our agenda, acknowledged through our Gold Standard from the School of Sustainability.

Enquiries still lag behind 2019, and we hope builders' merchants' sales teams and branches are getting involved in the 'Movies from Home' campaign. We understand branches are very busy, and our teams are here to support our loyal stockists.

We continue to operate our factories under strict social distancing guidelines, with marked walkways, limits on number of people in our welfare facilities, temperature checks on arrival, additional cleaning, hand sanitiser stations and face coverings where required. We remain open for business.

Hands - Face – Space.

“Q3 2020 rises back to similar levels seen in Q3 2019 and demand into Q4 2020 remains strong. Weather permitting, construction should finish strongly in 2020 and we wait patiently on what is around the corner in 2021.”

Expert Panel

Mineral Wool Insulation

(Part of Heavy Building Materials)



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

I write as we enter another national lockdown, but with the industry specifically instructed by the PM to keep building. Covid will clearly continue to be a source for uncertainty well into 2021, and unknowns remain over Brexit. Nevertheless, there are reasons to be optimistic about the health of the construction industry, and in particular the level of demand for Mineral Wool insulation.

After the initial Covid shock in spring, Mineral Wool sales rebounded strongly. This was partly due to pent-up demand post-lockdown, but we've also seen a healthy flow of new sites opening up around the country as the property market remains buoyant – even if a slowdown is anticipated if and when the stamp duty holiday ends.

In the short term, it appears as though the Green Homes Grant may lift the insulation market further. And it now appears likely that the scheme will be extended, giving more time to iron out issues in its execution. But there are other policy changes poised to exert a more dramatic influence in 2021 and beyond.

At their root is a fundamental shift away from notional energy performance standards to measurement of the actual performance of buildings in the real world. The government's EPC Action Plan mandates that future Energy Performance Certificates will be based on measured 'in-use' building performance. That same requirement for real performance also features in the criteria for the Social Housing Decarbonisation Fund Demonstrator – the precursor to an anticipated £3.8Bn of funding.

With the result of the Part L 2020 consultation to come, there's a clear direction of travel, and it will have an impact on insulation buying habits. We'll see much greater emphasis placed on products that are easy to install correctly; high performance products that aren't compromised by common installation issues on site. That's likely to translate into increased demand for Mineral Wool insulation because it's inherently more forgiving of substrate inconsistencies in cavity walls.

Put simply we can add 'ease of correct installation' to the long list of factors customers will now consider when choosing insulation, alongside thermal conductivity, fire safety, acoustic performance and environmental credentials.

“...The Green Homes Grant may lift the insulation market further. But there are other policy changes poised to exert a more dramatic influence in 2021 and beyond. At their root is a fundamental shift away from notional energy performance standards to measurement of the actual performance of buildings in the real world.”

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.

After an exceptionally weak second quarter, Q3 was remarkably strong. So strong, from people staying at home and spending on their home rather than on holidays, that stock in key areas has been drained. For lines with supply chain problems, stock is spoken for as soon as it comes in.

The pandemic has cast shadow over the supply chain from raw material extraction to packaging materials. In India, rising cases mean sandstone and limestone production is greatly reduced. In Italy factory lockdowns means that stocks of Italian porcelain are only just meeting demand. Turkey is better but still affected. Even the sealers for our Pavetuf range are affected: the factory making plastic bottles has switched to producing them for hand sanitisers.

Container shipping costs have doubled or even tripled. Shipping companies suspect that China is deliberately delaying shipping as part of the ongoing tension with the US. Decking could be affected, although we had imported significant stock earlier in the year, so we are probably less affected than other suppliers. At this point we are unlikely to get any clarity on Brexit, but the uncertainty covers everything from increased tariffs to congestion and delays in the ports. Take a guess!

Merchants are adapting quickly to this new normal. It took a while to see that longer lead times for landscaping products were more than a temporary blip and that 'stock is king'. If merchants do not have it in stock then they can't sell it, so merchants are planning ahead for the first quarter of 2021. They are also upselling the products they have in stock – especially with the price gap falling between some porcelain products and traditionally cheaper sandstone. Having landscaping products displayed outside is also an advantage, allowing customers to safely view the actual products before buying.

Online has really taken off. Click and collect has proven itself and merchants are investing online, against the growing threat of some manufacturers selling direct.

This new normal has forced businesses to look inward – examining every penny and the value of everything and everyone to the bottom line. I can't speak for others, but we've become more efficient.

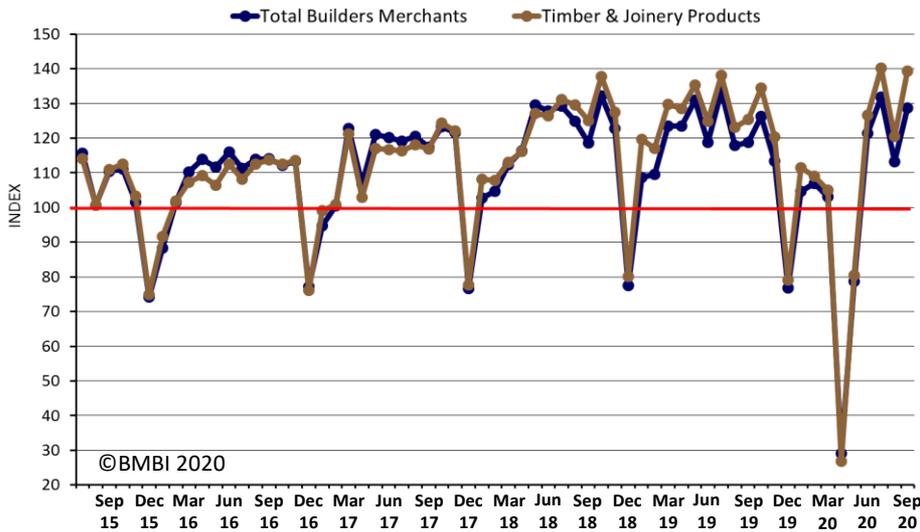
“Q3 was remarkably strong. So strong, from people staying at home and spending on their home rather than on holidays, that stock in key areas has been drained. For lines with supply chain problems, stock is spoken for as soon as it comes in.”

Monthly and Quarterly Indices

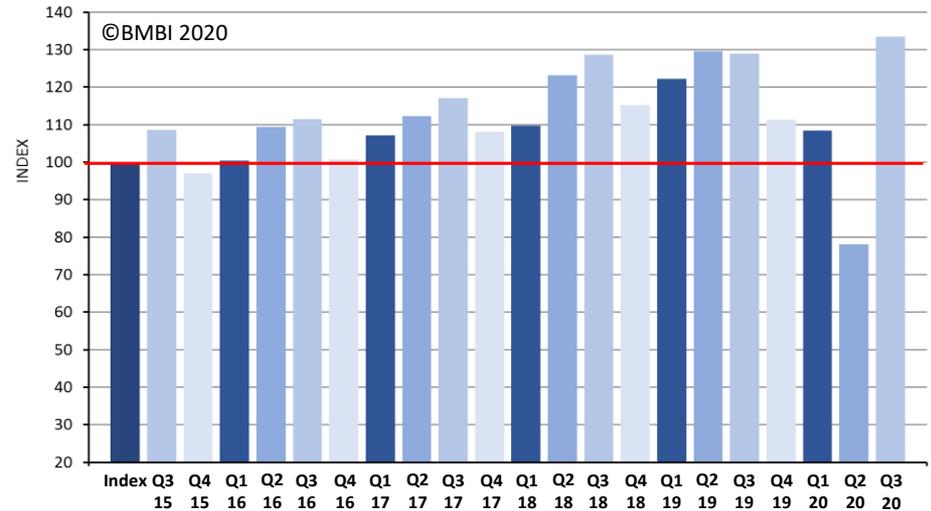
September 2020 and Q3 2020



Timber & Joinery Products



Timber & Joinery Products - Quarterly



Charts indexed on July 2014 – June 2015

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

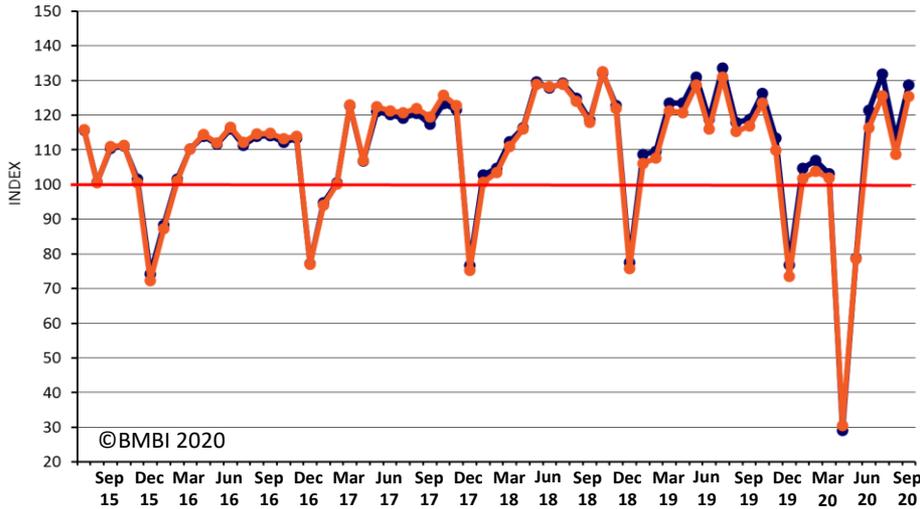
Monthly and Quarterly Indices

September 2020 and Q3 2020

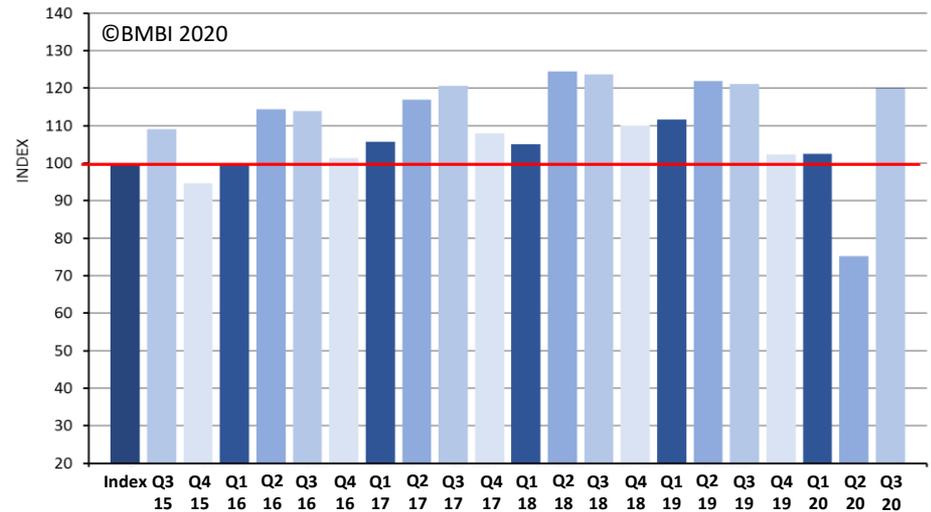


Heavy Building Materials

● Total Builders Merchants ● Heavy Building Materials



Heavy Building Materials - Quarterly



Charts indexed on July 2014 – June 2015

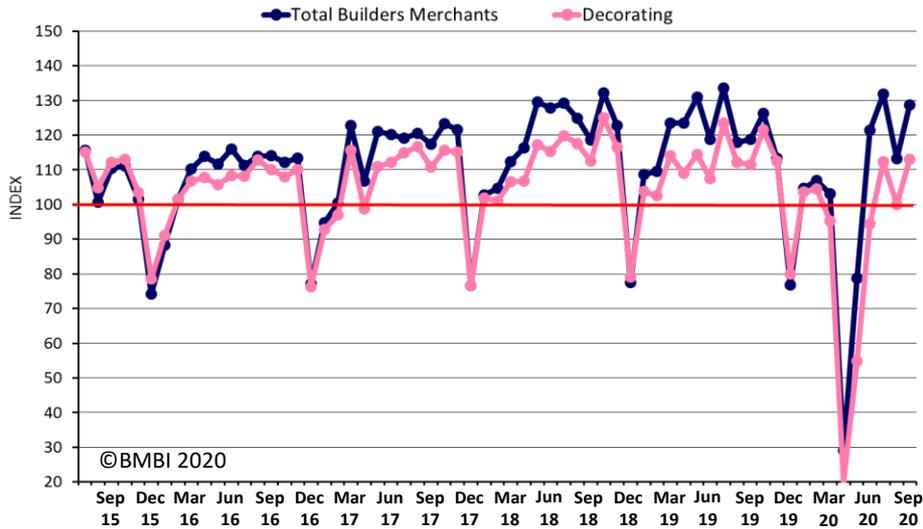
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Monthly and Quarterly Indices

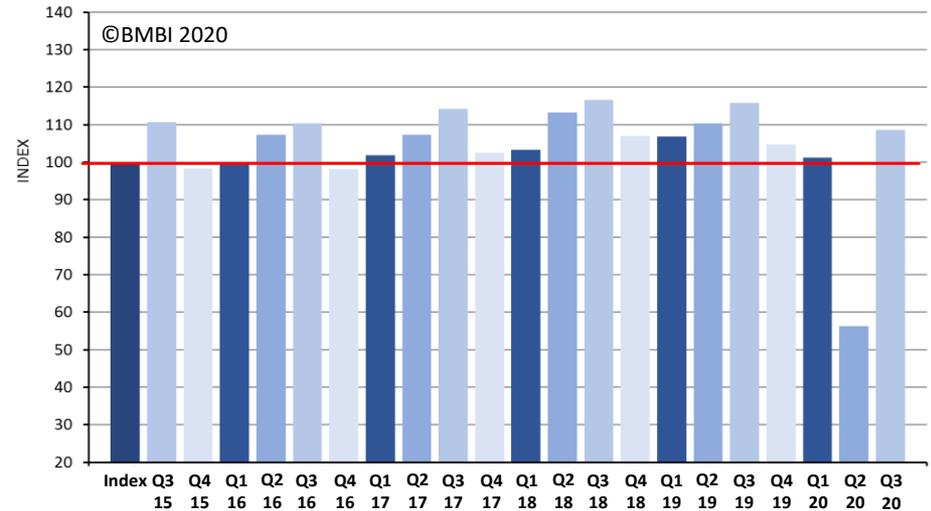
September 2020 and Q3 2020



Decorating



Decorating - Quarterly



Charts indexed on July 2014 – June 2015

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

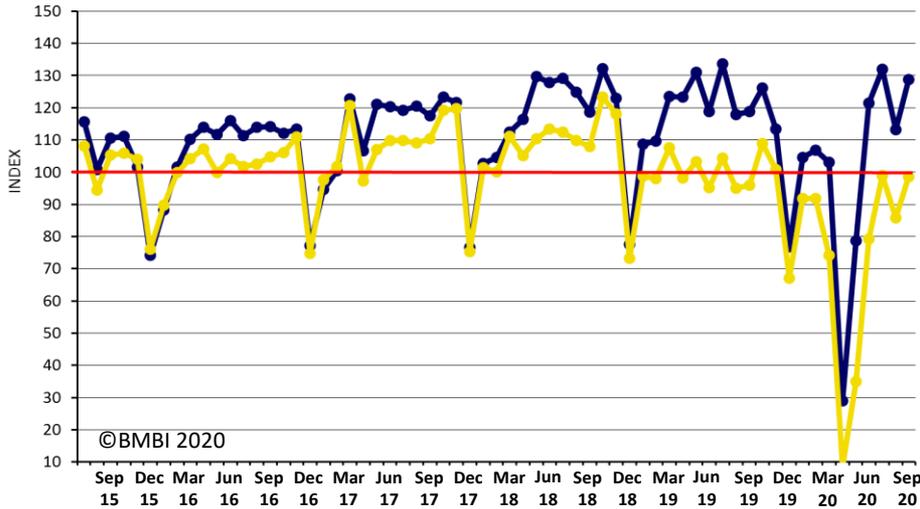
Monthly and Quarterly Indices

September 2020 and Q3 2020

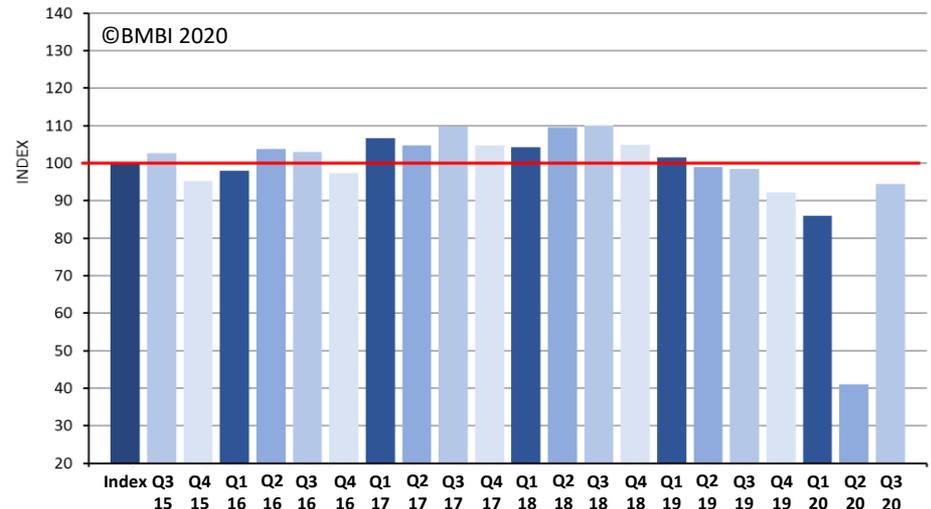


Tools

— Total Builders Merchants — Tools



Tools - Quarterly



Charts indexed on July 2014 – June 2015

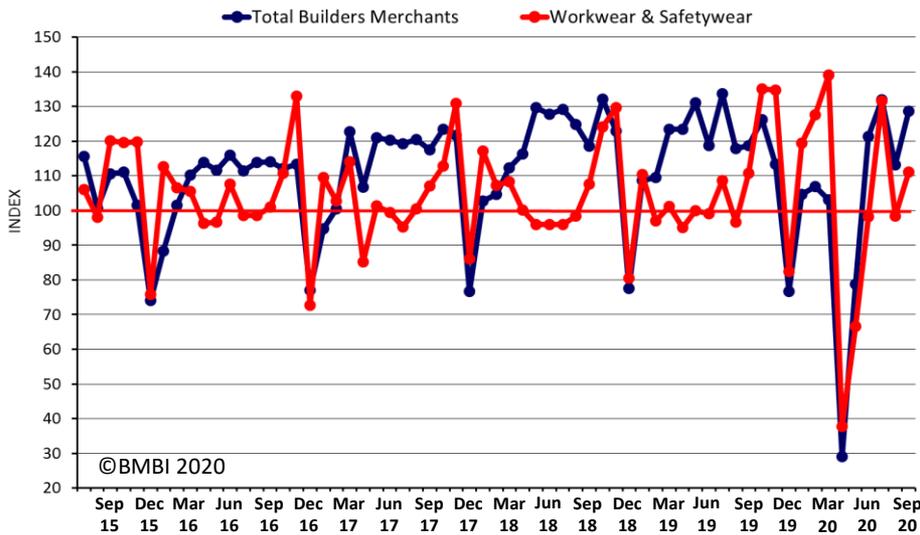
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Monthly and Quarterly Indices

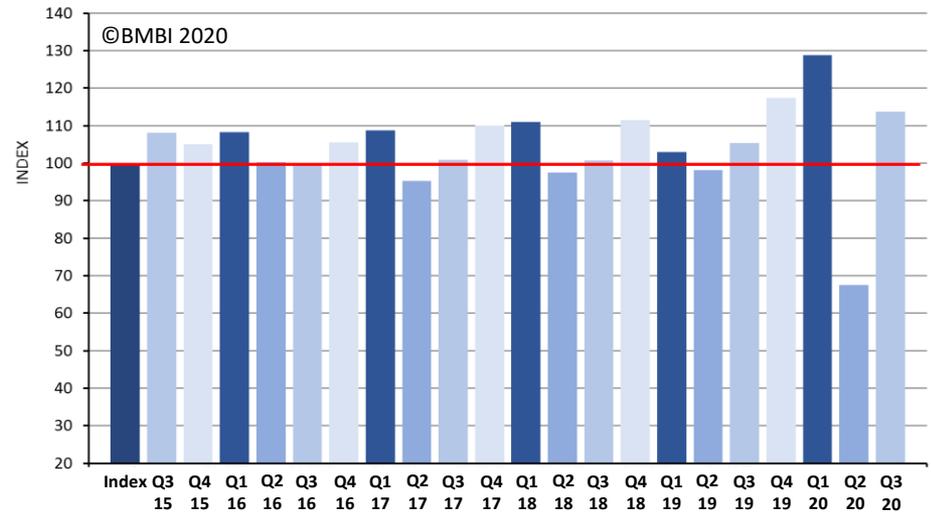
September 2020 and Q3 2020



Workwear & Safetywear



Workwear & Safetywear - Quarterly



Charts indexed on July 2014 – June 2015

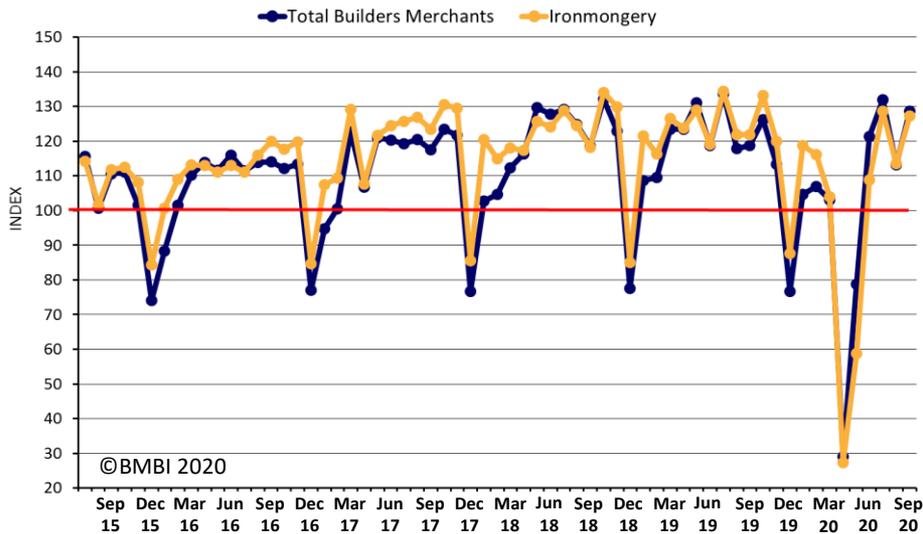
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Monthly and Quarterly Indices

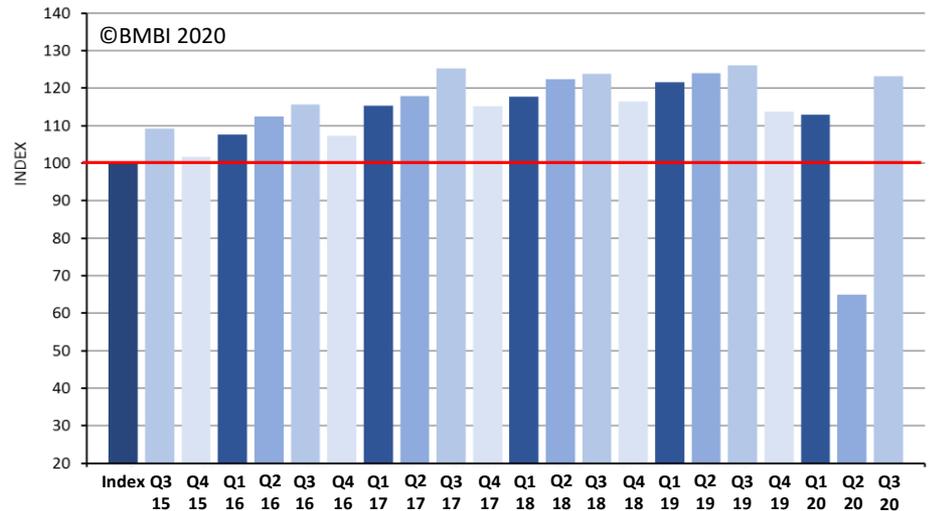
September 2020 and Q3 2020



Ironmongery



Ironmongery - Quarterly



Charts indexed on July 2014 – June 2015

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

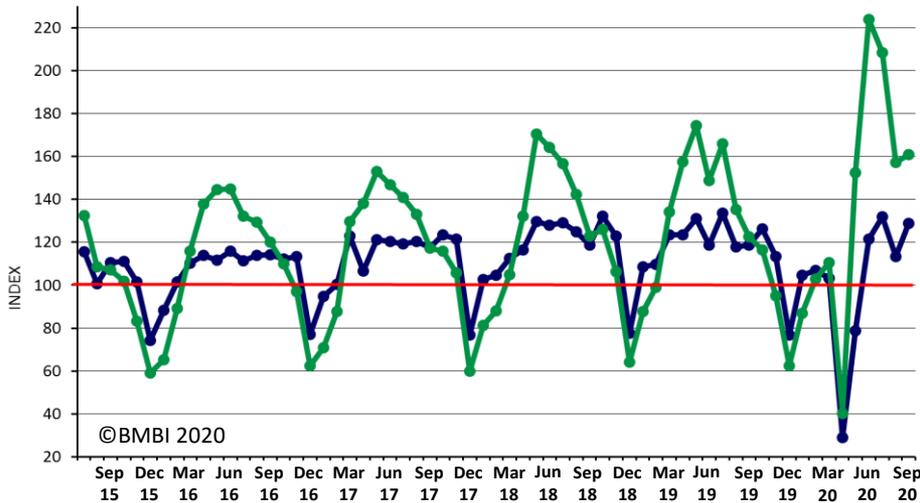
Monthly and Quarterly Indices

September 2020 and Q3 2020

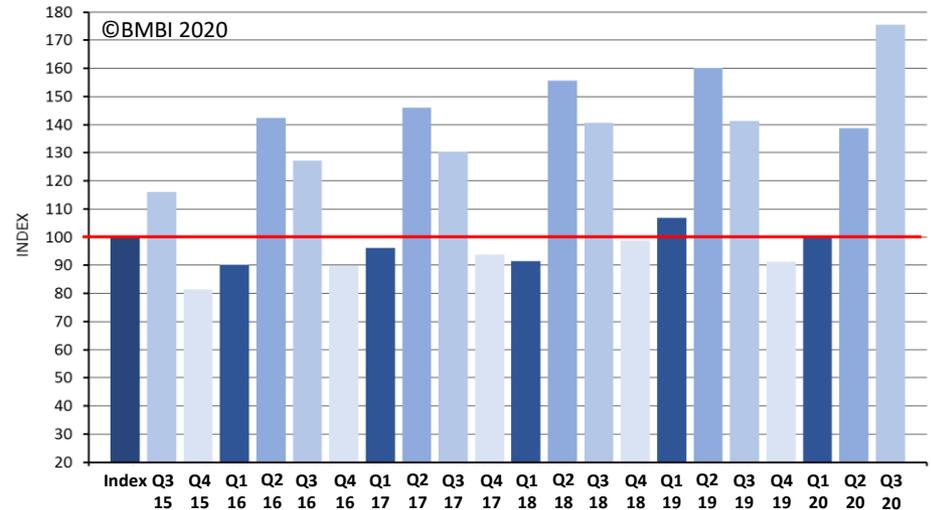


Landscaping

◆ Total Builders Merchants ◆ Landscaping



Landscaping - Quarterly



Charts indexed on July 2014 – June 2015

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

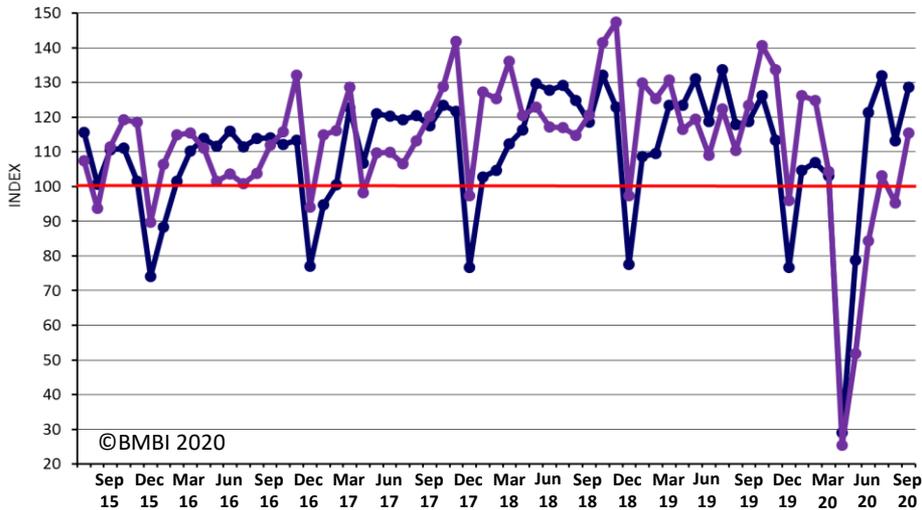
Monthly and Quarterly Indices

September 2020 and Q3 2020

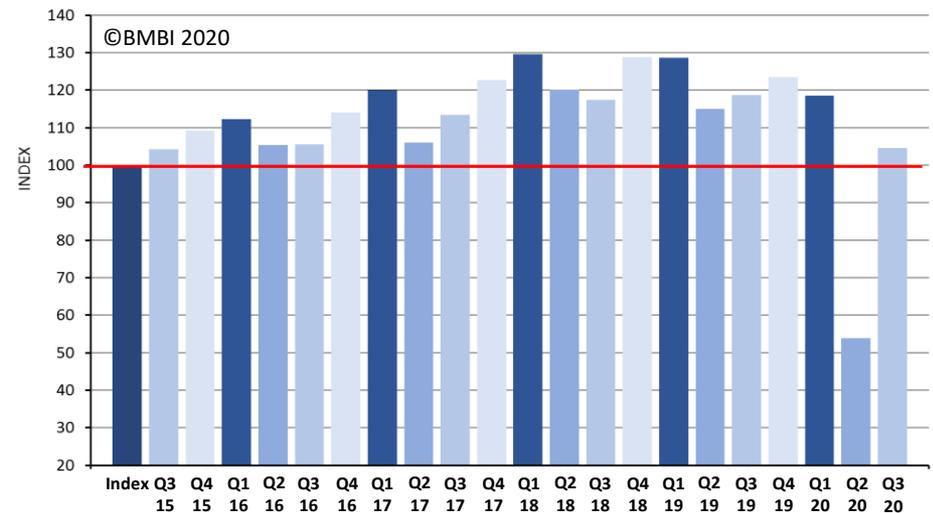


Plumbing, Heating & Electrical

● Total Builders Merchants ● Plumbing, Heating & Electrical



Plumbing, Heating & Electrical - Quarterly



Charts indexed on July 2014 – June 2015

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

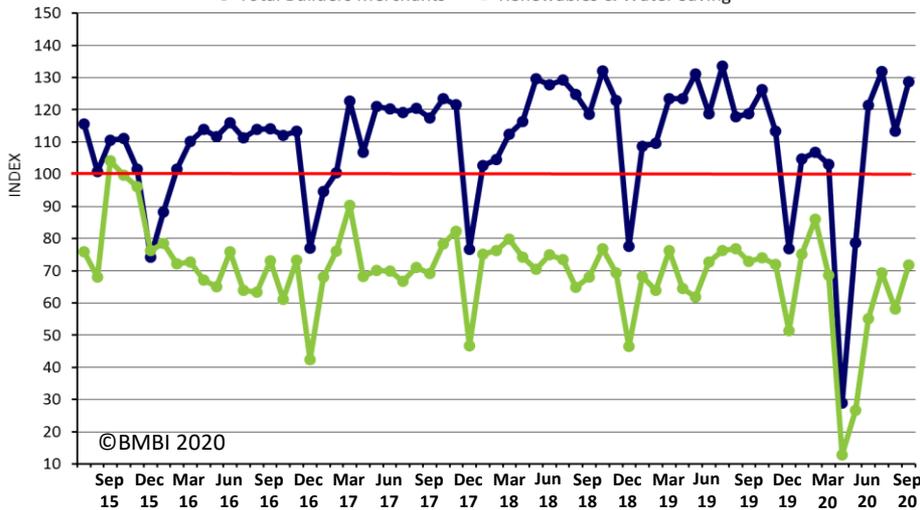
Monthly and Quarterly Indices

September 2020 and Q3 2020

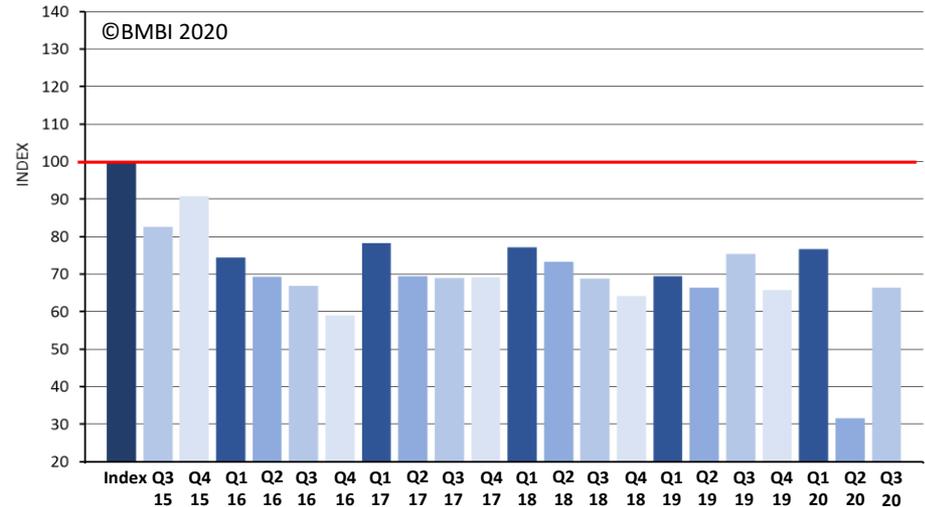


Renewables & Water Saving

— Total Builders Merchants — Renewables & Water Saving



Renewables & Water Saving - Quarterly



Charts indexed on July 2014 – June 2015

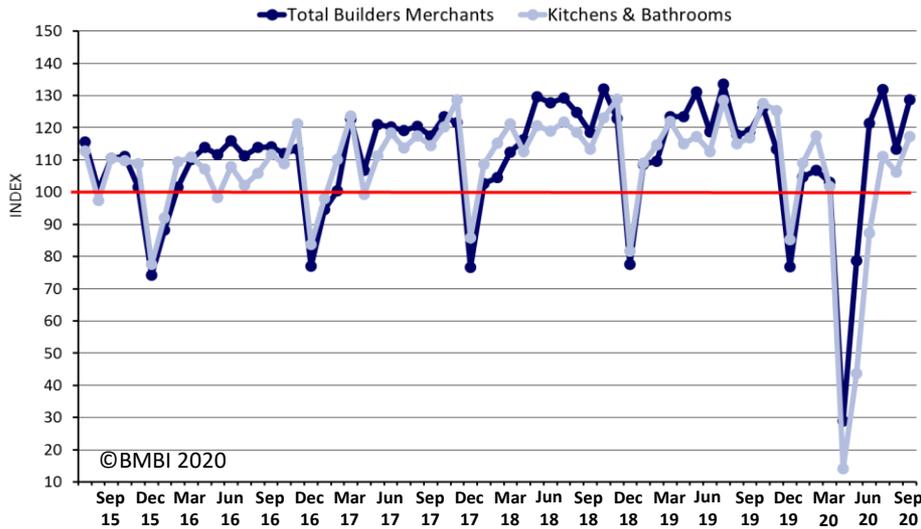
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Monthly and Quarterly Indices

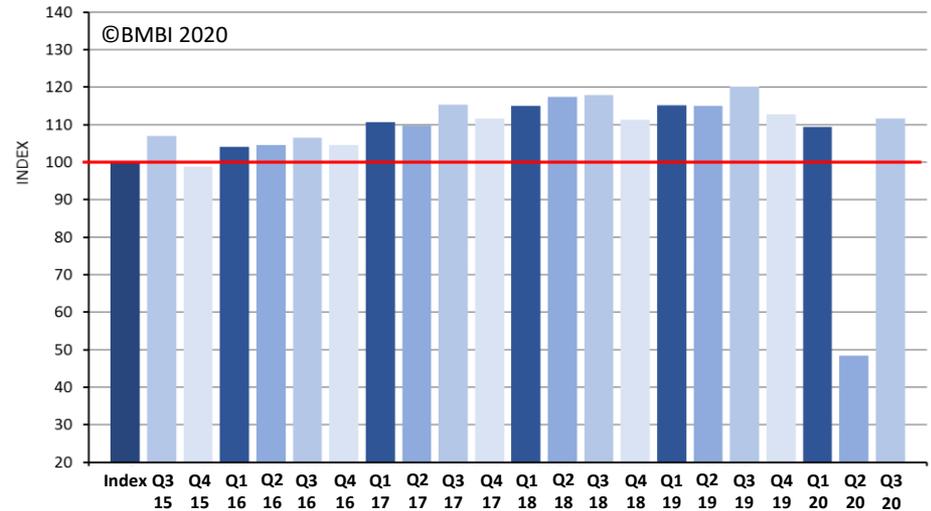
September 2020 and Q3 2020



Kitchens & Bathrooms



Kitchens & Bathrooms - Quarterly



Charts indexed on July 2014 – June 2015

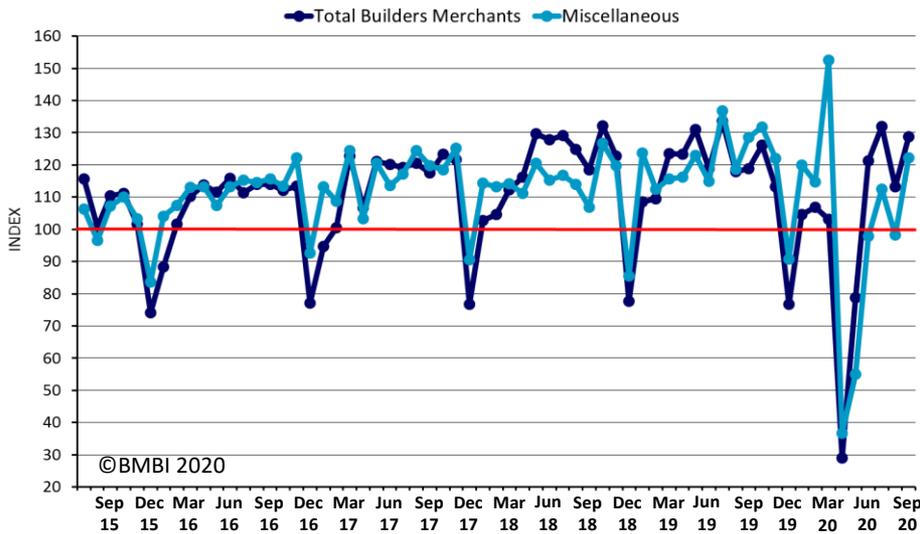
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Monthly and Quarterly Indices

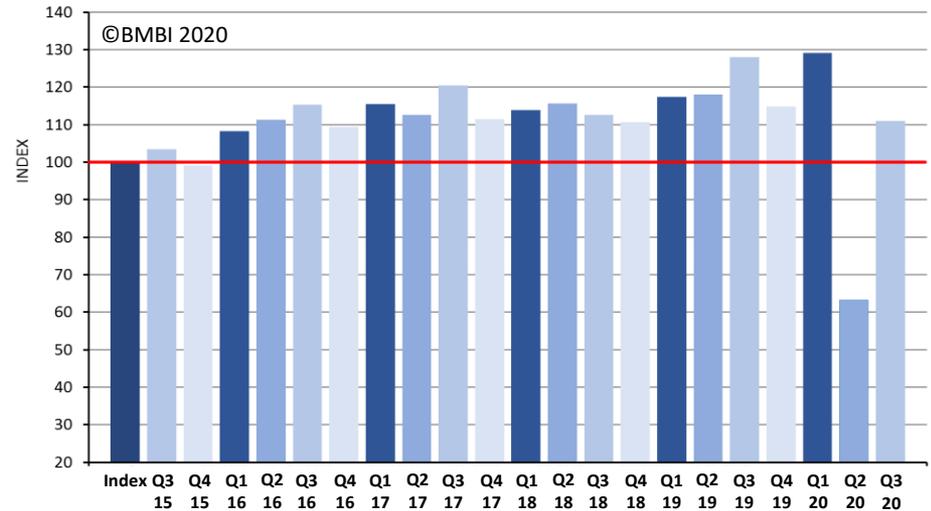
September 2020 and Q3 2020



Miscellaneous



Miscellaneous- Quarterly

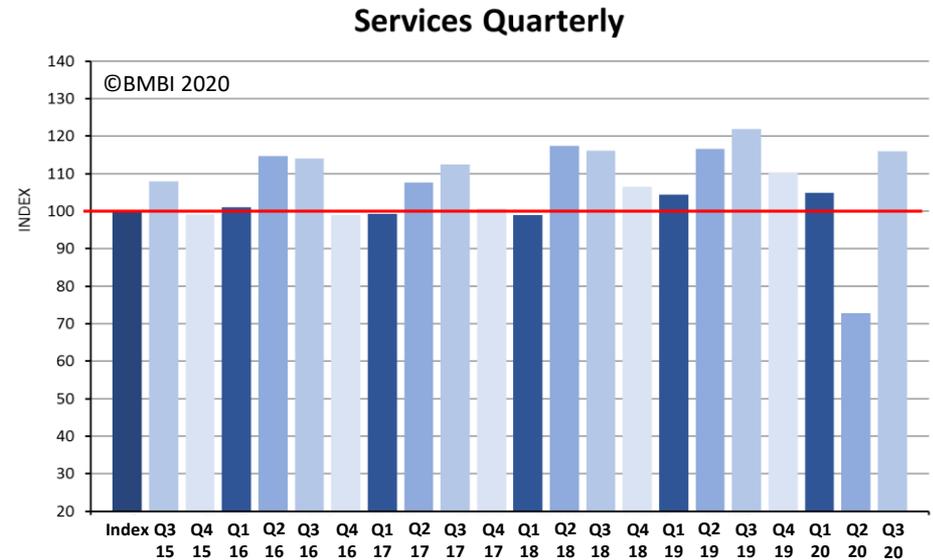
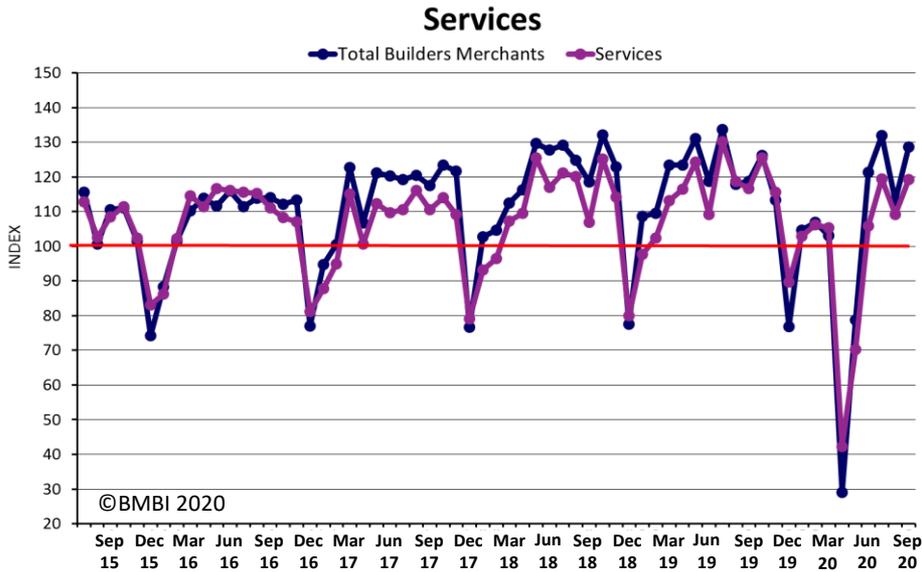


Charts indexed on July 2014 – June 2015

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Monthly and Quarterly Indices

September 2020 and Q3 2020



Charts indexed on July 2014 – June 2015

Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

Trading Days



Monthly

Index: 20.8

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

Quarterly

Index: 62.3

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

Half Year

| 2015 | |
|------|-----|
| | H2 |
| | 124 |
| 2016 | |
| H1 | H2 |
| 125 | 125 |
| 2017 | |
| H1 | H2 |
| 125 | 124 |
| 2018 | |
| H1 | H2 |
| 125 | 124 |
| 2019 | |
| H1 | H2 |
| 124 | 124 |
| 2020 | |
| H1 | H2 |
| 125 | |

Full Year

| 2016 |
|------|
| 250 |
| 2017 |
| 249 |
| 2018 |
| 249 |
| 2019 |
| 248 |
| 2020 |
| |

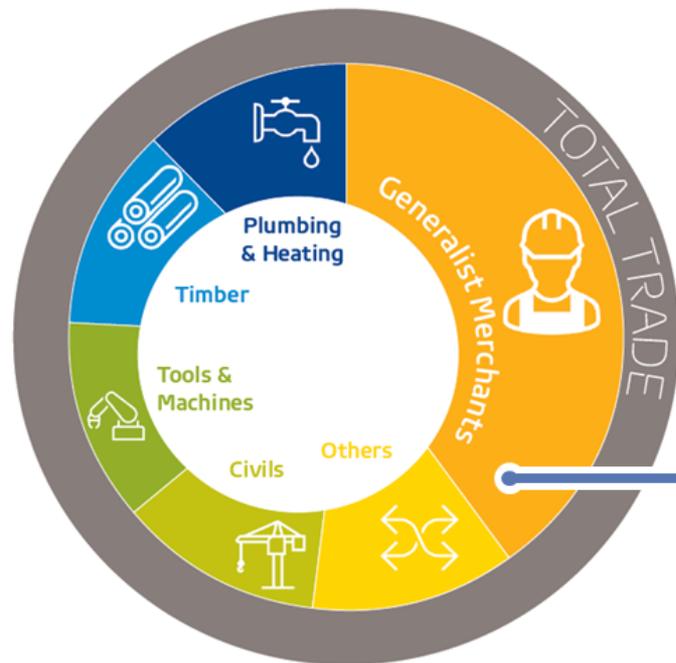
Source: GfK's
Builders Merchants
Total Category Report
July 2015 to September 2020

GfK's Panel

Generalist Builders Merchant Panel (GBM's)



We define the Builders Merchants channel as the following:



Generalist Builders Merchants definition

- Builder Merchants handle an extended range of building materials and components (e.g. doors, windows, interior furnishing materials, insulation materials, tiles, cement, mortar, adhesives, sealants, nails, hardware products, pipes, ironware, paint) and generate their turnover with professional end users. This excludes branches that generate all of their sales from specialized areas such as Civils, Tiles and Tools. Estimated coverage of this channel sits at 82%.
- 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

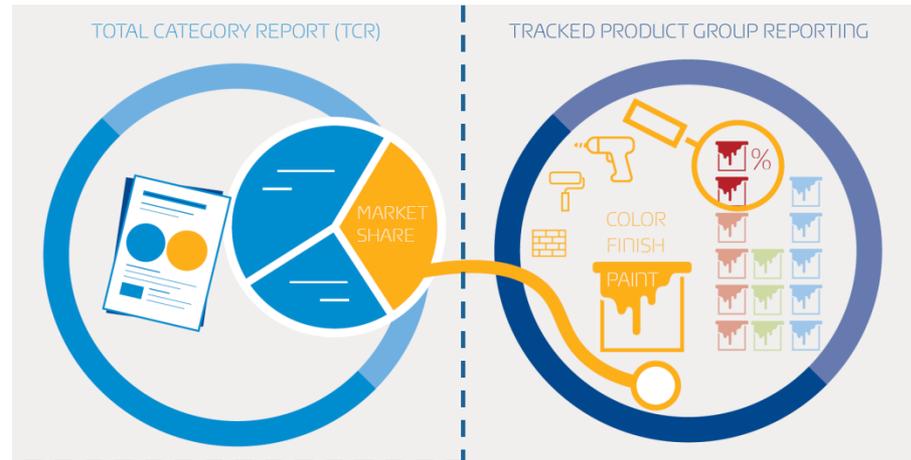
Bathroom (Including Showering)
Fitted Kitchens
Major Appliances

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

Available categories:

Heavyside

Bricks
Insulation

Lightside

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

Macro factors impacting Merchants



Bank interest rates

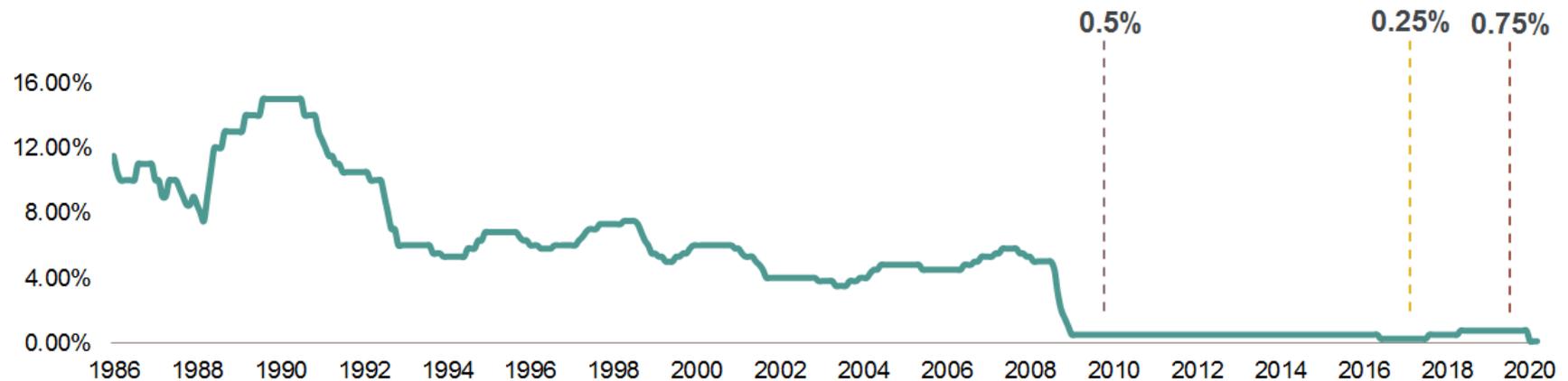
Set monthly by the MPC (Monetary Policy Committee)

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

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

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

▪ The MPC voted unanimously to maintain Bank Rate at 0.1% in September 2020.
▪ The Committee voted unanimously for the Bank of England to continue with its existing programmes of UK government bond and sterling non-financial investment-grade corporate



Source: Bank of England

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Macro factors impacting Merchants

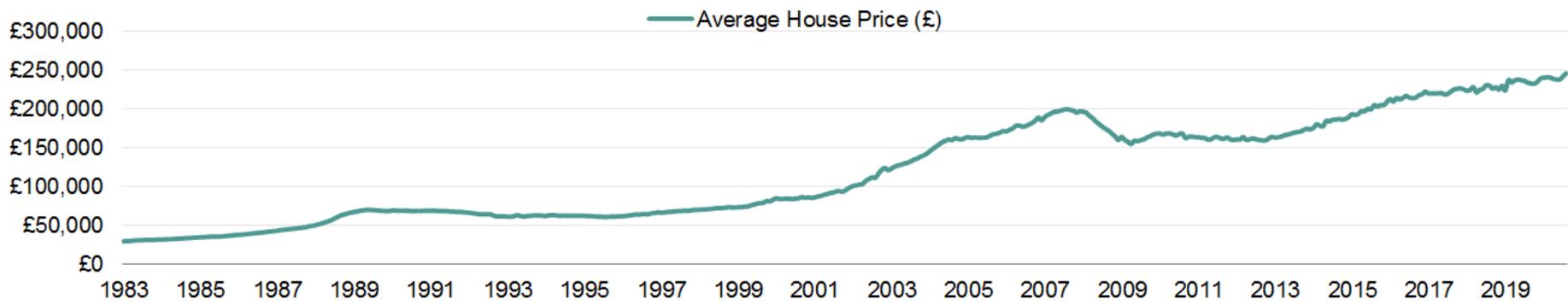


Standardised average house prices

| Average Price (year end) | | |
|--------------------------|----------|------|
| 2005 | £163,139 | +92% |
| 2010 | £168,390 | +3% |
| 2015 | £208,286 | +10% |
| 2016 | £222,190 | +7% |
| 2017 | £225,032 | +1% |
| 2018 | £229,729 | +2% |
| 2019 | £238,963 | +2% |

- A sharp increase in July pushes house prices to highest ever levels.
- Following four months of decline, average house prices in July experienced their greatest month on month increase this year, up 1.6% from June and comfortably offsetting losses in 2020.

- At the end of August 2020, the average house price in the UK increased to £245,747 from £241,604 in July 2020.
- House prices in August 2020 were 5.2% higher than in the same month a year earlier.



Source: Halifax House Price Index

© GfK

Macro factors impacting Merchants



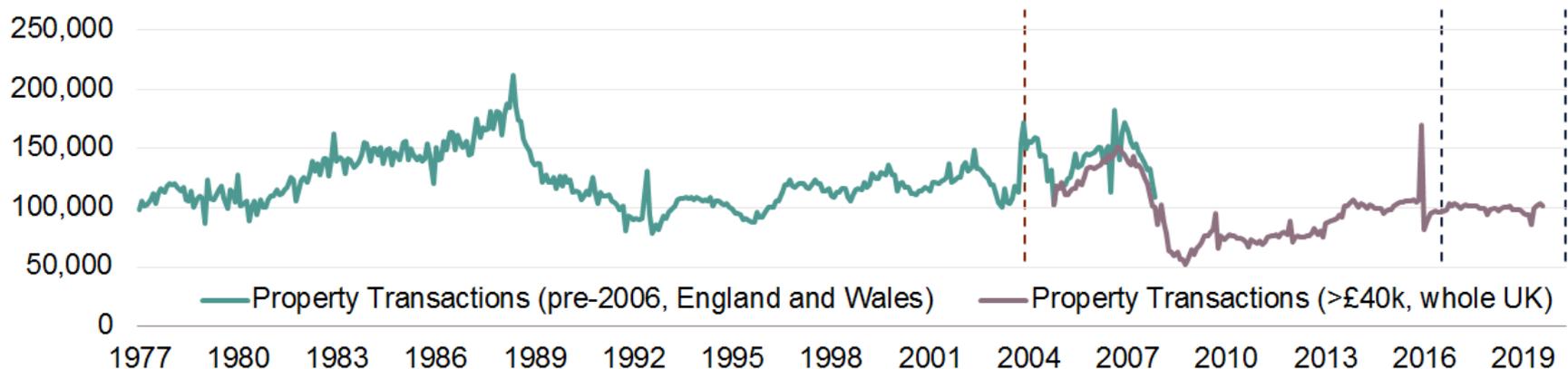
Property transactions

Monthly transactions, residential, seasonally adjusted

| Annual total | |
|--------------|-----------|
| 2015 | 1,228,710 |
| 2016 | 1,234,500 |
| 2017 | 1,223,400 |
| 2018 | 1,190,350 |
| 2019 | 1,171,520 |

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

- The seasonally adjusted UK property transaction count for July 2020 was 70,710 residential and 8,380 non-residential transactions.
- The seasonally adjusted count of residential property transactions in July 2020 is 27.4% lower than July 2019 and 14.5% higher than June 2020.



Source: HM Revenue & Customs

© GfK

Macro factors impacting Merchants



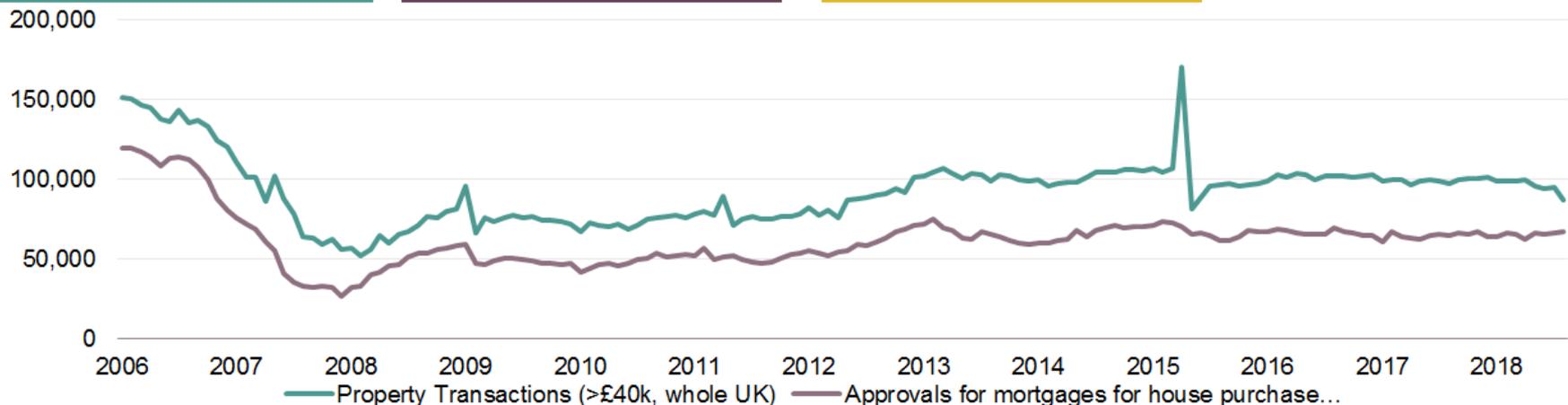
Mortgage approvals and property transactions

Monthly residential transactions and mortgage approvals (seasonally adjusted)

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

▪ The number of loan approvals for house purchase in the United Kingdom rose to 66,281 in July 2020 - this represents a 66% increase from June 2020.

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



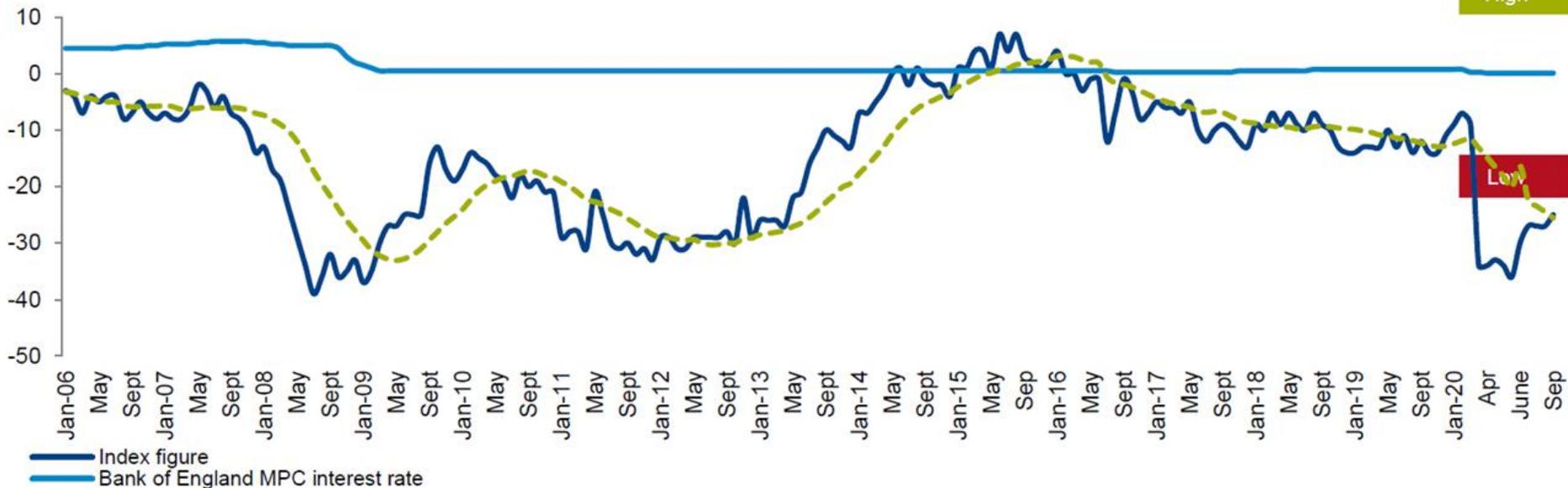
Source: HM Revenue & Customs

© GfK

Macro factors impacting Merchants



Consumer Confidence Index



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

© GfK 2020 | Consumer Confidence Barometer

BMF Forecast Report

Autumn 2020 edition



Builders Merchants Industry Forecast Report

The BMF has released the Autumn 2020 edition of its Builders Merchants Industry Forecast.

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

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

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

The report is updated on a quarterly basis, with the Autumn 2020 edition available now. The forecast report can be downloaded by BMF members free of charge - once logged in – [here](#).

Non-members can purchase the report by contacting Nyssa Patel on 024 7685 4984 or email nyssa.patel@bmf.org.uk



**Builders Merchants
Industry Forecast**
2020 - 2021

Autumn Covid-19
special edition
£250

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

Contact us

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