



January 2022

A monthly tracker of UK builders' merchants' sales expectations & business prospects

Overview

A good start to the year for Merchants

In January, merchants reported a strong outlook with improvements in supply, but they remain cautious.

Merchants' sales expectations for the first quarter (Jan-Mar) and the first half (Jan-Jun) are robust, and confidence in the prospects for their own business are very strong.

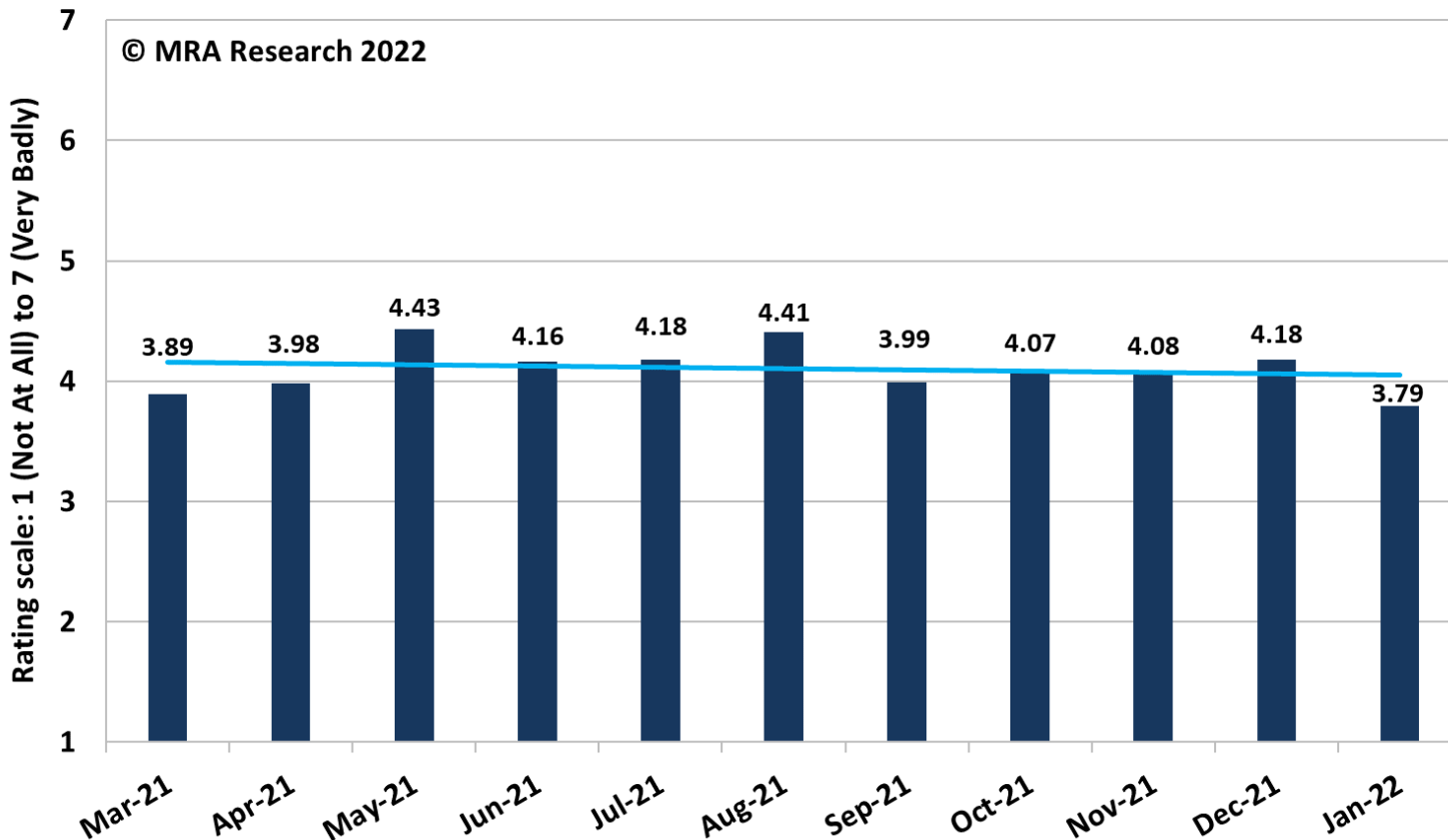
No lockdowns, the easing of restrictions and the pandemic being under control, have sustained merchants' confidence. But uncertainty over emerging Brexit consequences, ongoing supply chain problems and rampant price inflation are breeding concern that they will ultimately impact on demand.

The Pulse, by MRA Research, is a monthly tracking survey of merchants' confidence and prospects. Telephone interviewing took place between 4th and 7th January 2022.

Supply Problems... 1

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To what extent have your business and your customers been affected by supply problems?



Supply problems improved in January, with the lowest average score in 10 months.

Price increases are washing through the industry, while extended lead times are continuing to impact many merchants.

Supply Problems... 2

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If respondents rated 5, 6 or 7 ie badly affected by supply problems, they were asked:

In what way have your business and customers been affected by supply problems?

We have been affected by price hikes and availability on products which has had a knock-on effect on customers.

Non availability of products and really long waits, customers have been patient though.

Mainly because of increases.

Certain lines have long lead times and certain boilers are out of stock due to the chip shortage. So you have to mix and match which is a problem. Also you have to check prices on a daily basis.

Extended lead times is the main problem. Some products were ordered 6 months ago and still have not arrived.

One manufacturer of boilers has a shortage of semi-conductors so can't get any boilers. Others manufactures all have one part/product missing, so you just can't complete an order. Very frustrating.

Can't get any Velux windows. Bricks have a lead time of 9 months. I ordered manhole covers in September and I am still waiting.

Ceramics and sanitaryware can't keep up with demand.

Lots of lost sales, customers go elsewhere, there is a lot of competition out there, so it is difficult.

No supply, stock.

Stock issues, price issues.

Supply Problems... 3

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No stock, real bad lead times on everything.

Been hard work to get hold of stuff.

Getting stock, some stock you just can't get the parts.

Covid and Brexit and furlough means people don't want to work.

Slow and delayed supplies at the start of covid.

The lack of supplies has been bad, in particular timber has been affected.

Cheap imports from China have lead times of at least 3 months. The more expensive UK/European manufactures have a shorter lead time of a month.

Supply problems, covid mainly.

Covid, Brexit.

Long lead times is the big problem. Instead of 2 days it's anything from 10 days to 8 weeks.

Massive price increases, less supplies as everyone was at home at the beginning of covid so demand for materials increased but supplies dwindled.

Can't get supply due to pandemic/supply.

Extended lead times is the main issue. Roofing tiles and bricks are on 6 months lead times and other products are on shorter lead times. All this is a problem for us and our customers.

Supply Problems... 4

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Not getting materials on time to do jobs.

Can't get hold of boilers.

Can't get hold of products.

Price issues, extortionate prices on some items.

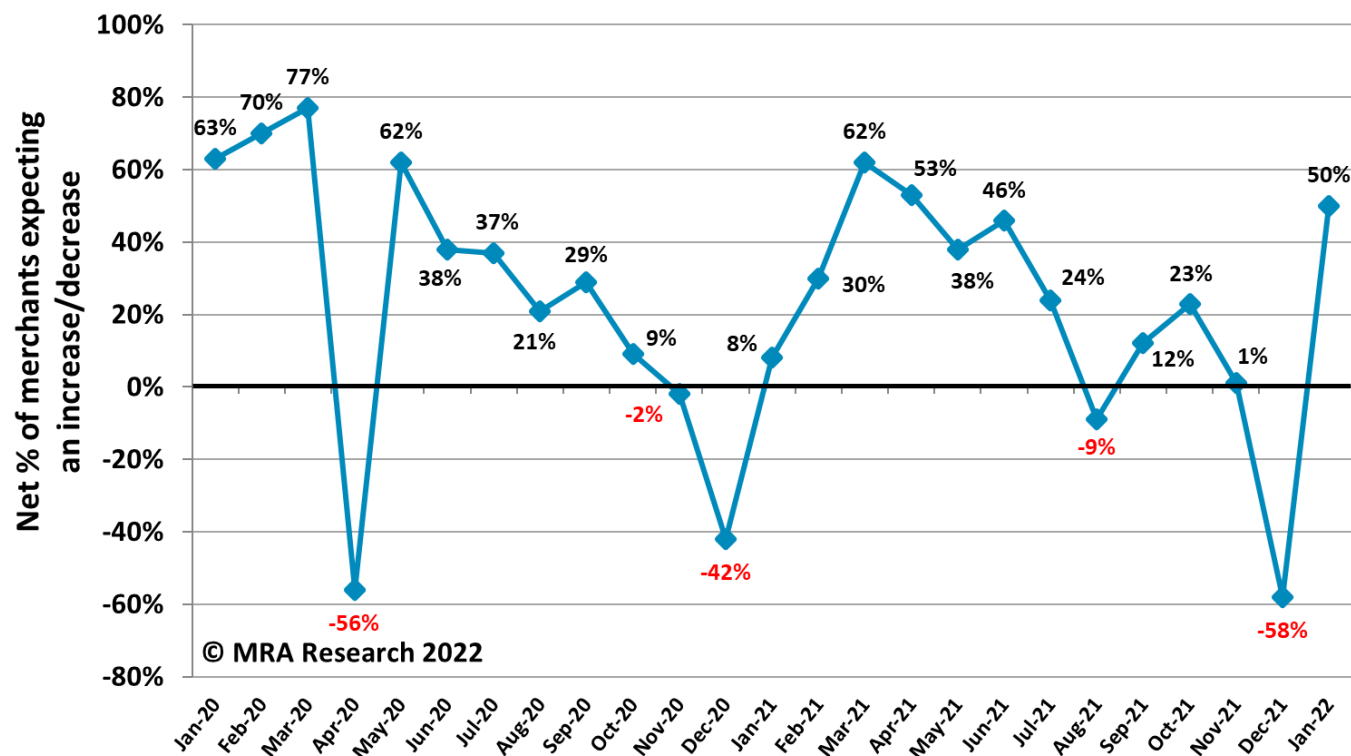
Lead times are 3 months on certain drainage products.

The problem we have is people are able to supply but the things that can't be supplied are the day-to-day things that are needed, the most popular items and it's not always easy to offer alternatives.

Sales Expectations: Month-on-Month...1

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Sales Expectations: Month-on-Month
January 2022 v December 2021



Sales expectations increased significantly in January compared to the previous month. This reflects the start of a new year following a short trading month in December.

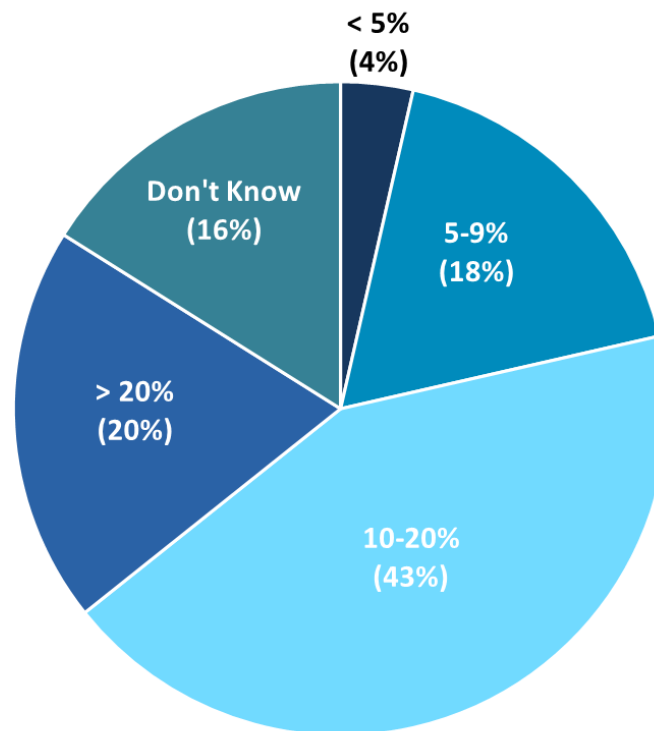
Expectations are particularly strong among Mid-sized branches (net +62%), the Midlands (+71%) and Nationals (+64%).

Net figure: The difference between the percentage of merchants expecting growth and those expecting a decrease is the net figure, expressed as a percentage. A positive net percentage indicates growth, a negative indicates decline. Net zero implies no change. For this chart, 56% of merchants interviewed expect growth against 6% who expect a decline. The net figure is +50% expecting growth.

Sales Expectations: Month-on-Month...2

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Sales Expectations: % Increase January 2022 v December 2021



Among merchants expecting sales to increase in January, 22% expect sales to grow by up to 9% compared with December, and 43% expect sales to increase by 10-20%.

One in five merchants expect sales to improve by more than 20%.

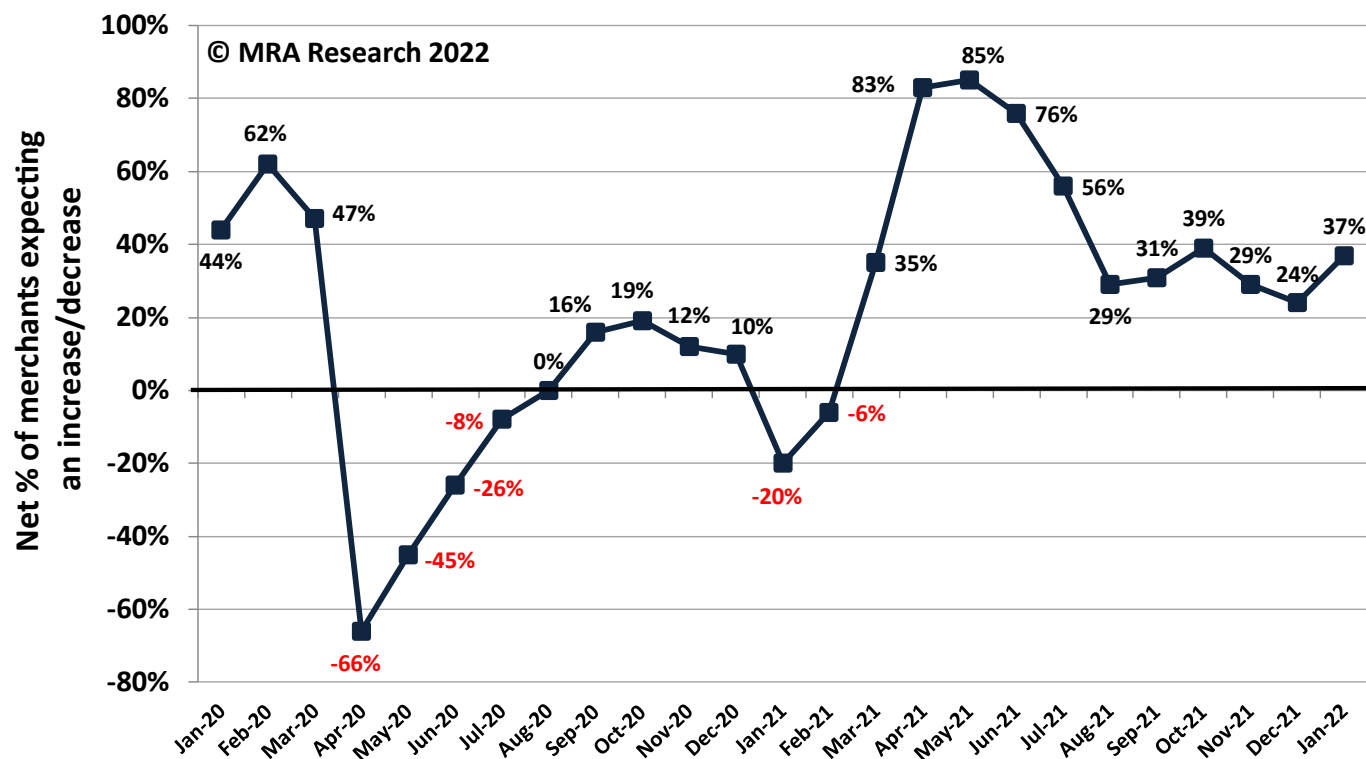
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Base: 56

Sales Expectations: Year-on-Year...1

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Sales Expectations: Year-on-Year
January 2022 v January 2021



Compared with January 2021, sales expectations are significantly up this January.

Expectations are strongest among Mid-sized outlets (net +48%) and Regional merchants (+54%).

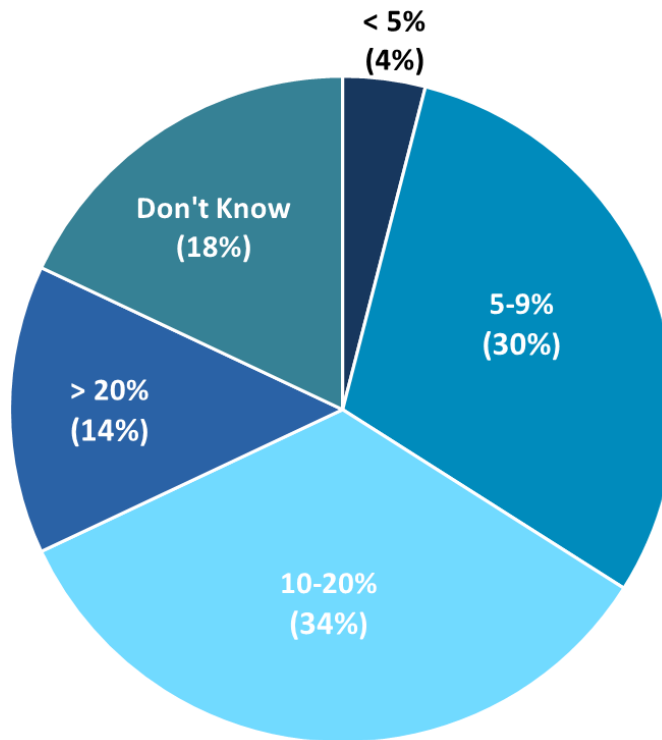
Independent outlets are least positive (+8%).

Net figure: The difference between the percentage of merchants expecting growth and those expecting a decrease is the net figure, expressed as a percentage. A positive net percentage indicates growth, a negative indicates decline. Net zero implies no change. For this chart, 50% of merchants interviewed expect growth against 13% who expect a decline. The net figure is +37% expecting growth.

Sales Expectations: Year-on-Year...2

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Sales Expectations: % Increase
January 2022 v January 2021



Among those expecting growth in January compared to the same month in 2021, a third of merchants (34%) expect growth of up to 9% and a further third (34%) expect growth of 10-20%.

14% expect more than 20% growth.

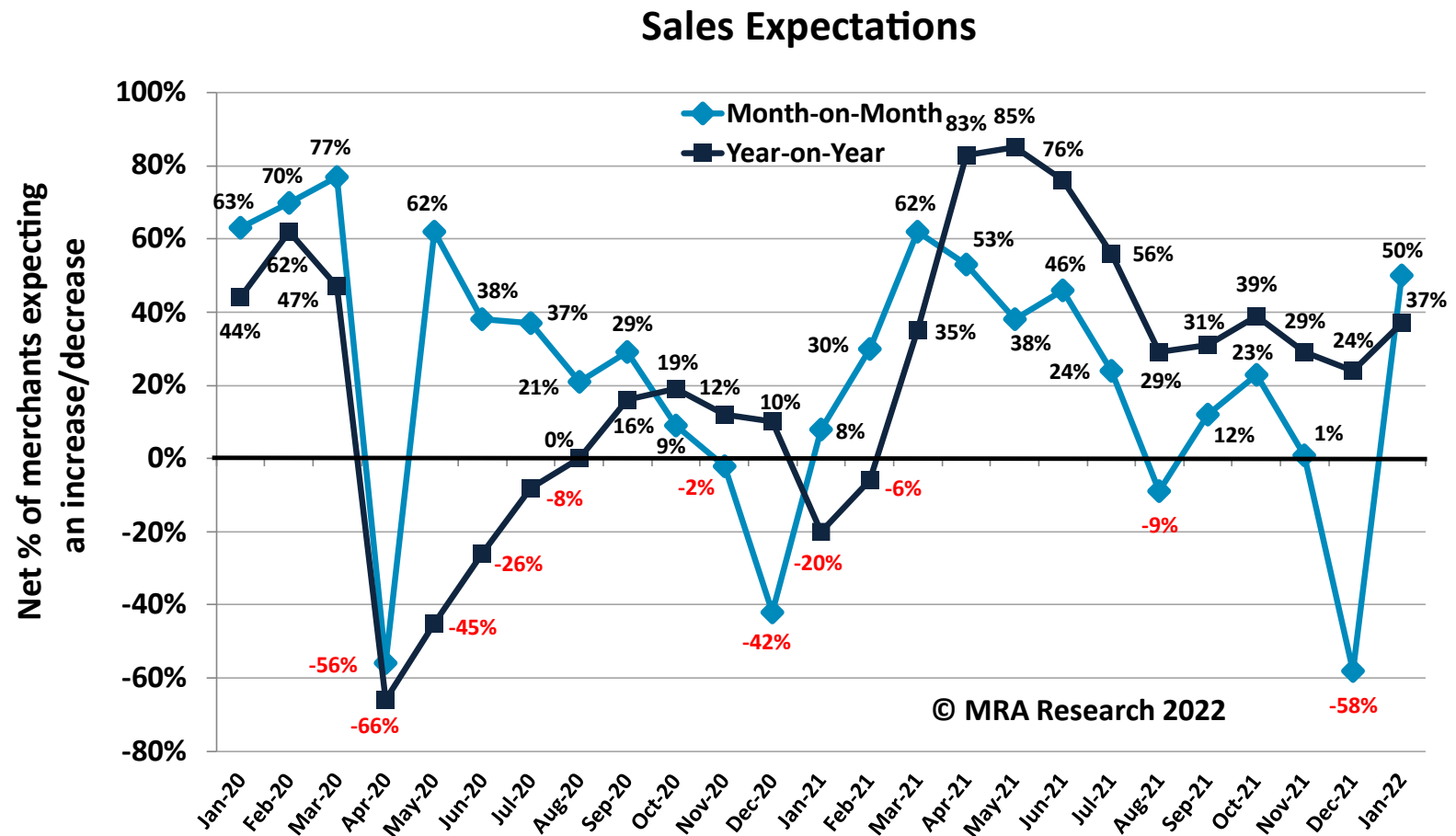
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Base: 50

Sales Expectations

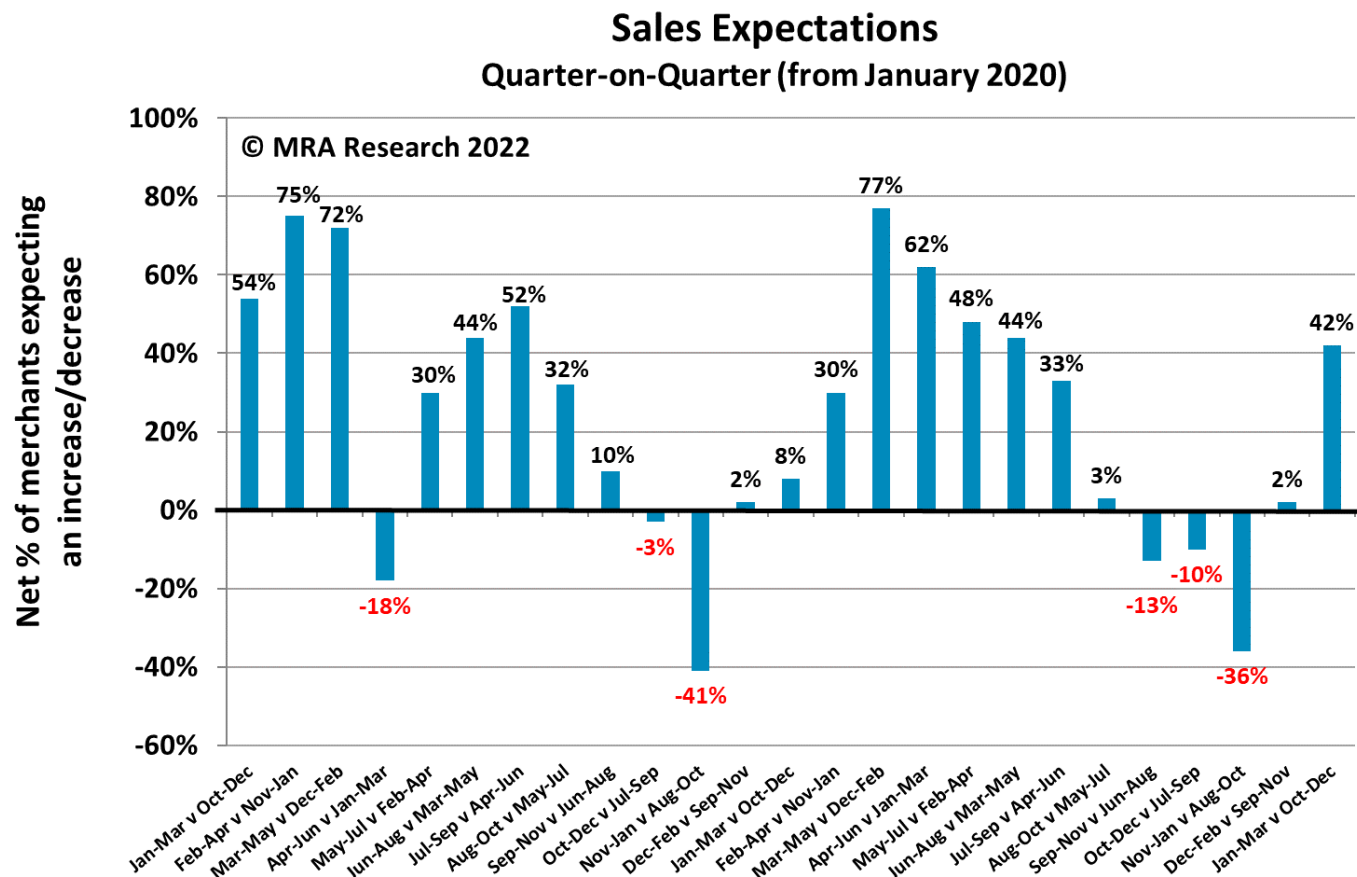
Month-on-Month v Year-on-Year

11



Sales Expectations: Quarter-on-Quarter...1

12



Merchants expect a strong first quarter, with a net +42% of merchants expecting sales to improve in Jan-Mar compared to the previous three months.

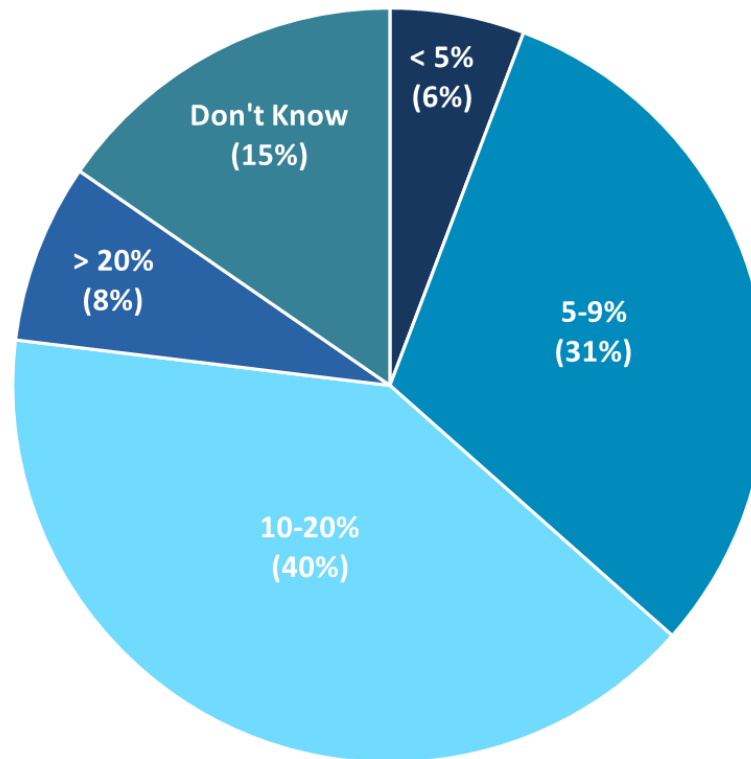
Expectations are strongest among merchants in the Midlands and North (+50% and +59% respectively) and branches of Nationals (+54%).

Net figure: The difference between the percentage of merchants expecting growth and those expecting a decrease is the net figure, expressed as a percentage. A positive net percentage indicates growth, a negative indicates decline. Net zero implies no change. For this chart, 52% of merchants interviewed expect growth against 10% who expect a decline. The net figure is +42% expecting growth.

Sales Expectations: Quarter-on-quarter...2

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Sales Expectations: % Increase
Next 3 months (Jan-Mar 2022) v Previous 3 months (Oct-Dec 2021)



Among merchants expecting sales growth in the first quarter of 2022 compared to the previous three months, nearly two in five expect sales to increase by up to 9%.

A further 40% expect sales to grow by 10-20%.

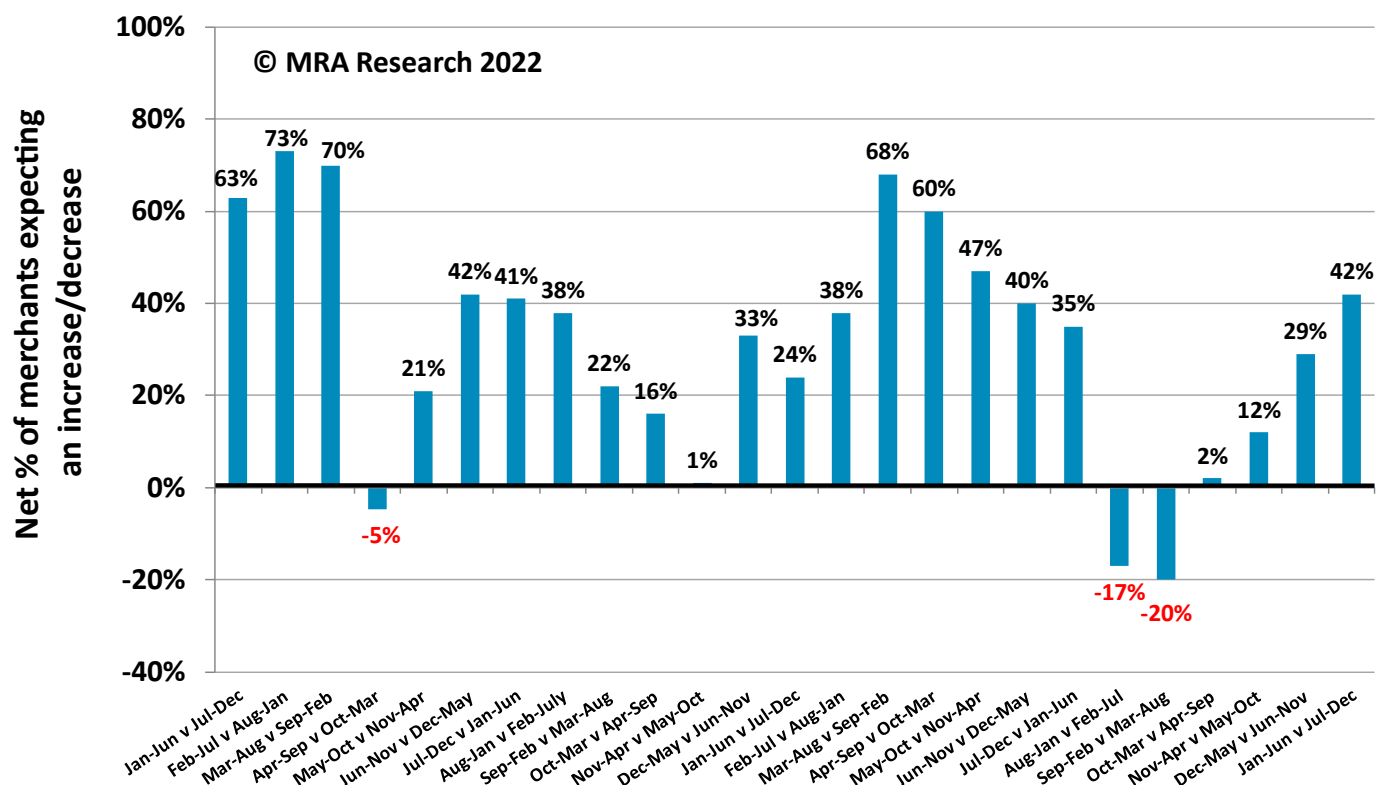
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Base: 52

Sales Expectations: Next six months...1

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Sales Expectations
Next 6 months v Previous 6 months (from January 2020)



Sales expectations for the next six months, compared to the previous six months, strengthened further in January.

Merchants in Scotland outlets (net +62%) and Regional outlets (+59%) had the strongest expectations.

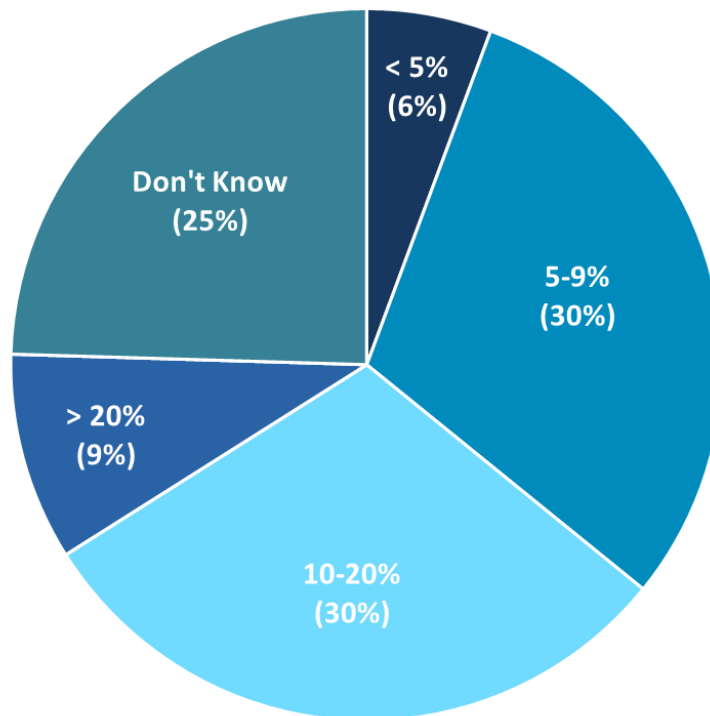
Fewer independents expected growth (+8%).

Net figure: The difference between the percentage of merchants expecting growth and those expecting a decrease is the net figure, expressed as a percentage. A positive net percentage indicates growth, a negative indicates decline. Net zero implies no change. For this chart, 53% of merchants interviewed expect growth against 11% who expect a decline. The net figure is +42% expecting growth.

Sales Expectations: Next six months...2

15

Sales Expectations: % Increase
Next 6 months (Jan-Jun 2022) v Previous 6 months (July-Dec 2021)



Over a third of merchants expecting sales to increase in the next six months compared to the last six, expect growth of up to 9%.

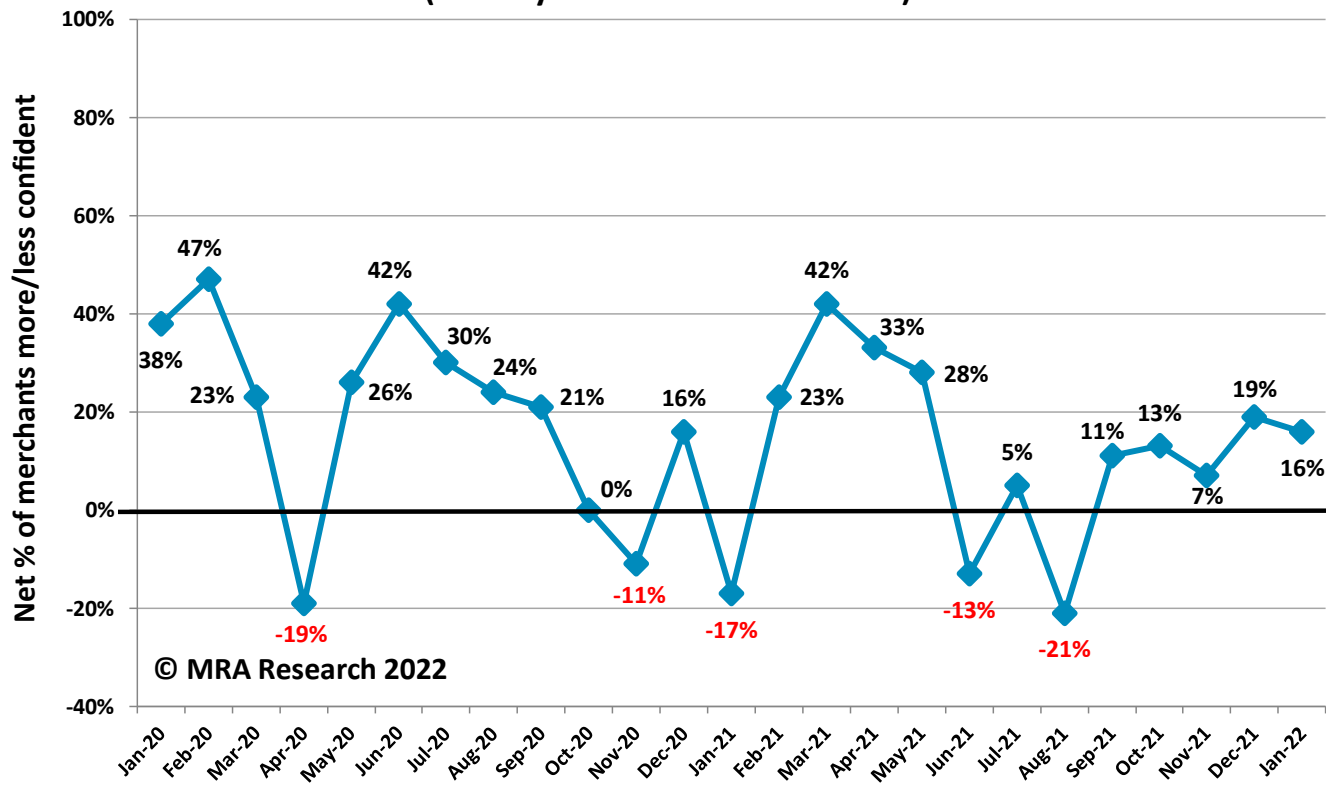
A further 30% expect sales to increase by 10-20%.

Unusually, one in four merchants expecting sales to improve over the next six months were unable to forecast a figure.

Confidence in the market: Month-on-Month

16

Confidence in the market: Month-on-Month
(January 2022 v December 2021)



Compared with December's survey, confidence in the market dipped slightly in January, but remains positive. A year ago, in January 2021, confidence in the market was at a low ebb (-17%).

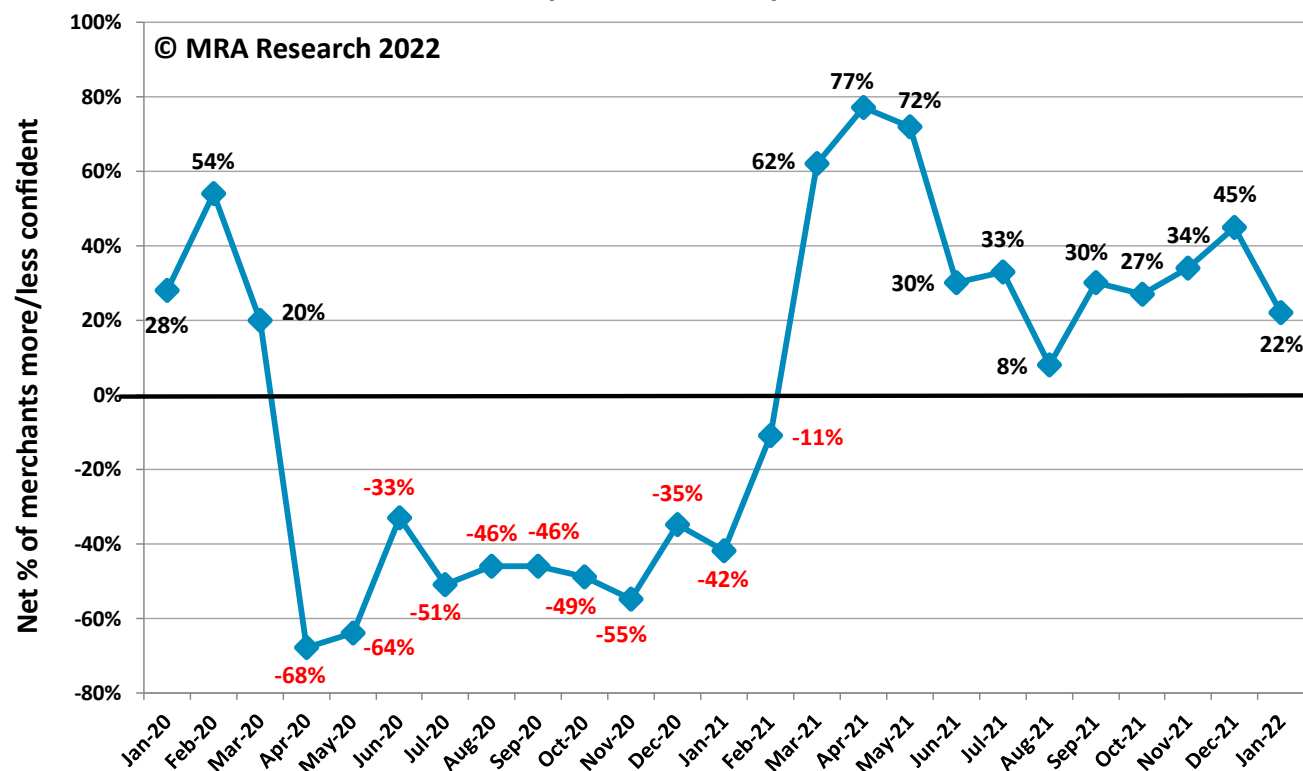
Confidence is strongest among Large outlets (net +36%), and weakest among Small branches (+7%) and those in the South (+5%).

Net figure: The difference between the percentage of merchants more confident about market prospects and those less confident is the net figure, expressed as a percentage. A positive net percentage indicates more confidence, a negative indicates less confidence. Net zero implies neutral. For this chart, 30% of merchants interviewed are more confident against 14% who are less confident. The net figure is +16% more confident.

Confidence in the market: Year-on-Year

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Confidence in the market: Year-on-Year
(January 2022 v January 2021)



Year-on-year, confidence in the market dropped in January. However, at 22% it's still strong. Looking back to last January, confidence in the market had fallen to -42% compared to a year earlier.

Large outlets (+43%), National merchants (+33%) and those in Scotland (+31%) are very confident in the market.

Net figure: The difference between the percentage of merchants more confident about market prospects and those less confident is the net figure, expressed as a percentage. A positive net percentage indicates more confidence, a negative indicates less confidence. Net zero implies neutral. For this chart, 47% of merchants interviewed are more confident against 25% who are less confident. The net figure is +22% more confident.

Confidence in the market:

Why MORE confident about the market than this time last year?

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Of the **47** merchants who were **MORE confident** about the market than this time last year, comments included:

No lockdown at the minute and a booming market.

Supply problems are improving, products are easier to get, we as an industry know what we are dealing with now and have strategies in place.

COVID issues and price increases.

We have all adjusted, last year there was too many uncertainties.

Pandemic easing and affecting trade less.

We are coming out of a recession.

Covid was affecting staff numbers more a year ago.

More confident as we are getting more orders.

Potentially more orders coming through.

We are learning to live with Covid and supplies are getting through now.

I am more confident in the market than this time last year. The whole industry is in the same boat and we seem to be coming through it well. I would say though that as prices are going through the roof, work will likely drop off and businesses will be affected.

Covid and Brexit.

Lots more stock, supplies are picking up again.

Tougher to get stocking in, the market is in a now much better place.

Suppliers are now able to fulfil orders.

This time last year we were in lockdown. All that is behind us and I feel far more confident about the future.

We didn't know what to expect last year, but the industry has adapted and supply issues seem to be levelling off.

We are getting used to the threat of Covid & know now how to cope with it.

Pandemic has eased a little since then, business is returning to 'normal'.

People are more confident as more secure.

Last year we did not know what to expect, now we do. So I am far more confident.

Lead times are reducing so stock levels are rising, so much more confident.

Stabilising now.

Business has picked up, now the vaccine and boosters have made people more confident.

With the easing of covid restrictions, I am far more confident, as the economy gears back up.

Think prices will settle down, get a bit more consistency and supply will hopefully get back to some sort of normality.

Think things are settling down now

Less restrictions.

Confidence in the market:

Why MORE confident about the market than this time last year?

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Just because we are busier.

Think Boris' plan now is to plough on through, less of a disruption threat.

Just seems nothing really affected now, everyone's back to work and busy and caught up on everything, we've got full work booked for the future.

Have more info about prices, stock etc.

Covid as we know more about it.

We are learning to live with the changing times that Covid has created. Supplies were very delayed at the beginning but we feel now they are getting back to normal.

The market still seems to be buoyant and supply issues are starting to sort themselves out. I also expect timber prices to fall by 30% by the second quarter this year. So all good.

Supply issues are improving and things seem to be picking up.

We are out of the worst as restrictions are being lifted.

Because we've got opportunities with new suppliers, good relationships with suppliers and new reps who are trying to impress us.

Stock issues should settle down.

More information, we know more about COVID.

I feel folk are fed up with listening to instructions re covid now, we can't stay in bubble for ever, people are now ignoring them and are out and about more and spending has increased.

This time last year we were in lockdown and our showroom was closed. Now that lockdowns are behind us, I am far more confident.

COVID

Vaccine rollout is in full swing.

Confidence in the market:

Why LESS confident about the market than this time last year?

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Of the **25** merchants who were **LESS confident** about the market than this time last year, comments included:

Prices have risen by about 20% and I am far less confident that the 'end user' can afford to pay these increases now and in the future.

January can be a strange month.

Had two cracking years but now with price increases I feel trade will drop off as my customers are starting to jib at the prices.

The volume of price increases has meant that now customers shop around more to get the best deals, so we can loose customers. Also our turnover may go up due to price increases, but if you strip out price increases, our turnover is the same or even less.

Price of materials have rocketed, so I am less confident as these high prices are putting off customers from starting a building project.

Lead time and shortages didn't hit till the first quarter were over.

Trying to get hold of products is difficult.

Last year there was a lot of spare money around as people couldn't go on holiday, so lots of people were doing DIY, this helped the industry massively and has really boosted the market.

Prices have become unsustainable and this has deterred some of our customers now from doing building work. Last year whatever you had sold, but not now.

Supply issues

Just the impact of shortages, can't sell it if we don't have it.

Price of products and availability of staff.

Just got a very uneasy air about things at the moment.

Supply issues again.

This time last year everyone was busy, all booked up, not as much as that happening now.

Last year was just exceptional for trade.

Seeing too many poorly people.

No raise due to no lockdown.

Pandemic, lightweight building blocks are more difficult to order.

Shortages due to pandemic affecting supply chain.

Because of the price increase for our products, are suppliers have increased the price, therefore we have to pass on the increase to our customers making everything much more expensive.

The uncertainty with Brexit, supply chain issues and the ongoing covid virus all make me less confident. Also the big builders' merchants are starting to dominate the market, so I am less confident about my own business.

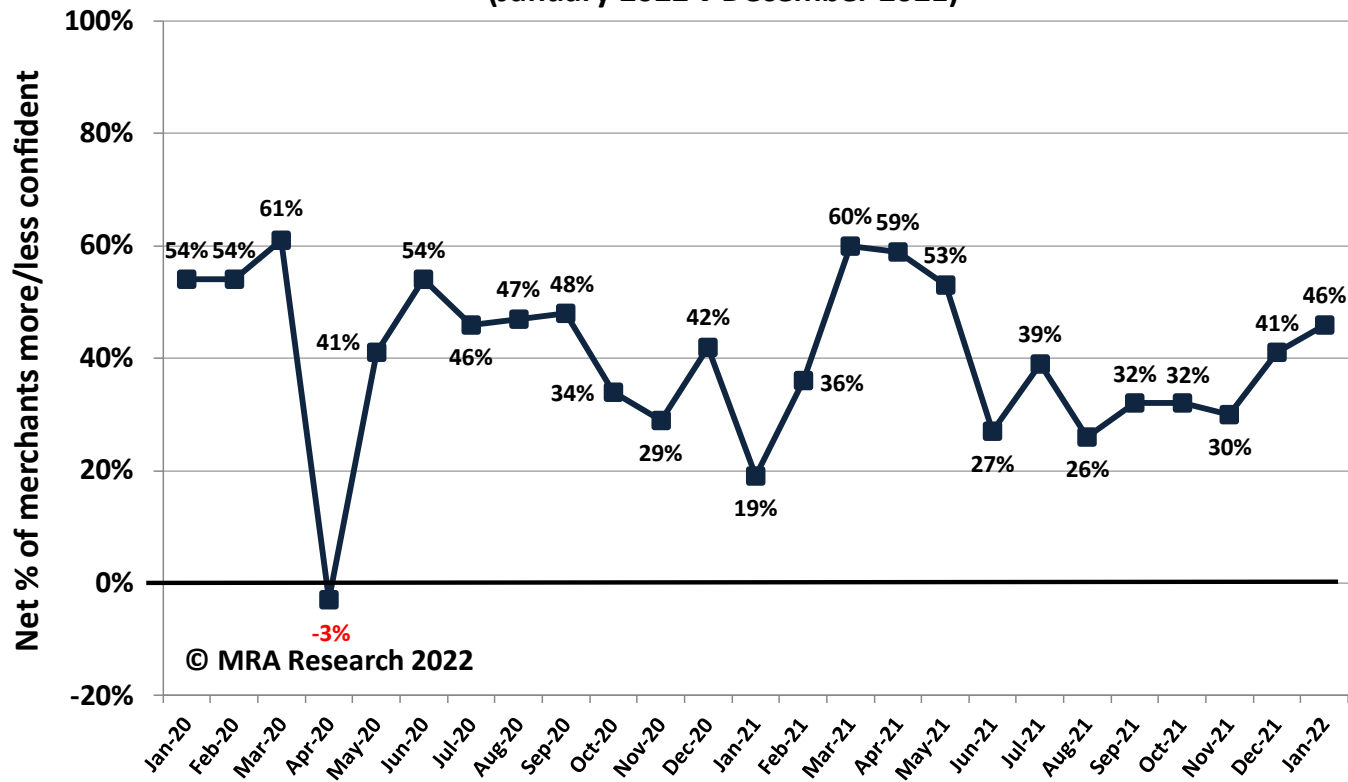
Amount of lockdowns and covid.

Coming towards end of the market boom.

Confidence in their own business: Month-on-Month

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Confidence in their own business: Month-on-Month
(January 2022 v December 2021)



Merchants' confidence in their own business continued to strengthen in January.

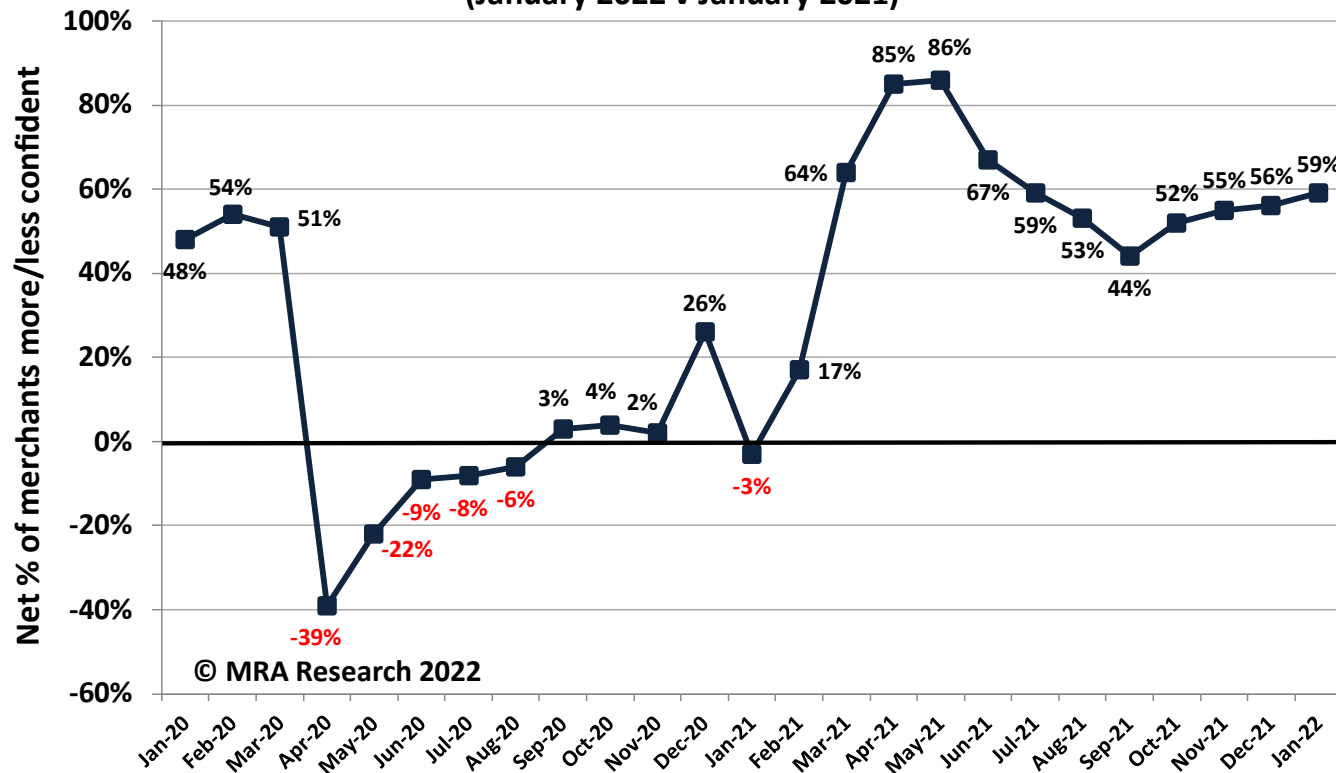
Confidence is particularly strong among Nationals (net +56%), Large outlets (+57%) and merchants in Scotland (+59%).

Net figure: The difference between the percentage of merchants more confident about the prospects for their own business and those less confident is the net figure, expressed as a percentage. A positive net percentage indicates more confidence, a negative indicates less confidence. Net zero implies neutral. For this chart, 52% of merchants interviewed are more confident against 6% who are less confident. The net figure is +46% more confident.

Confidence in their own business: Year-on-Year

22

Confidence in their own business: Year-on-Year
(January 2022 v January 2021)



Compared to the same month last year, merchants' confidence in their own business improved marginally and continues at a very strong level.

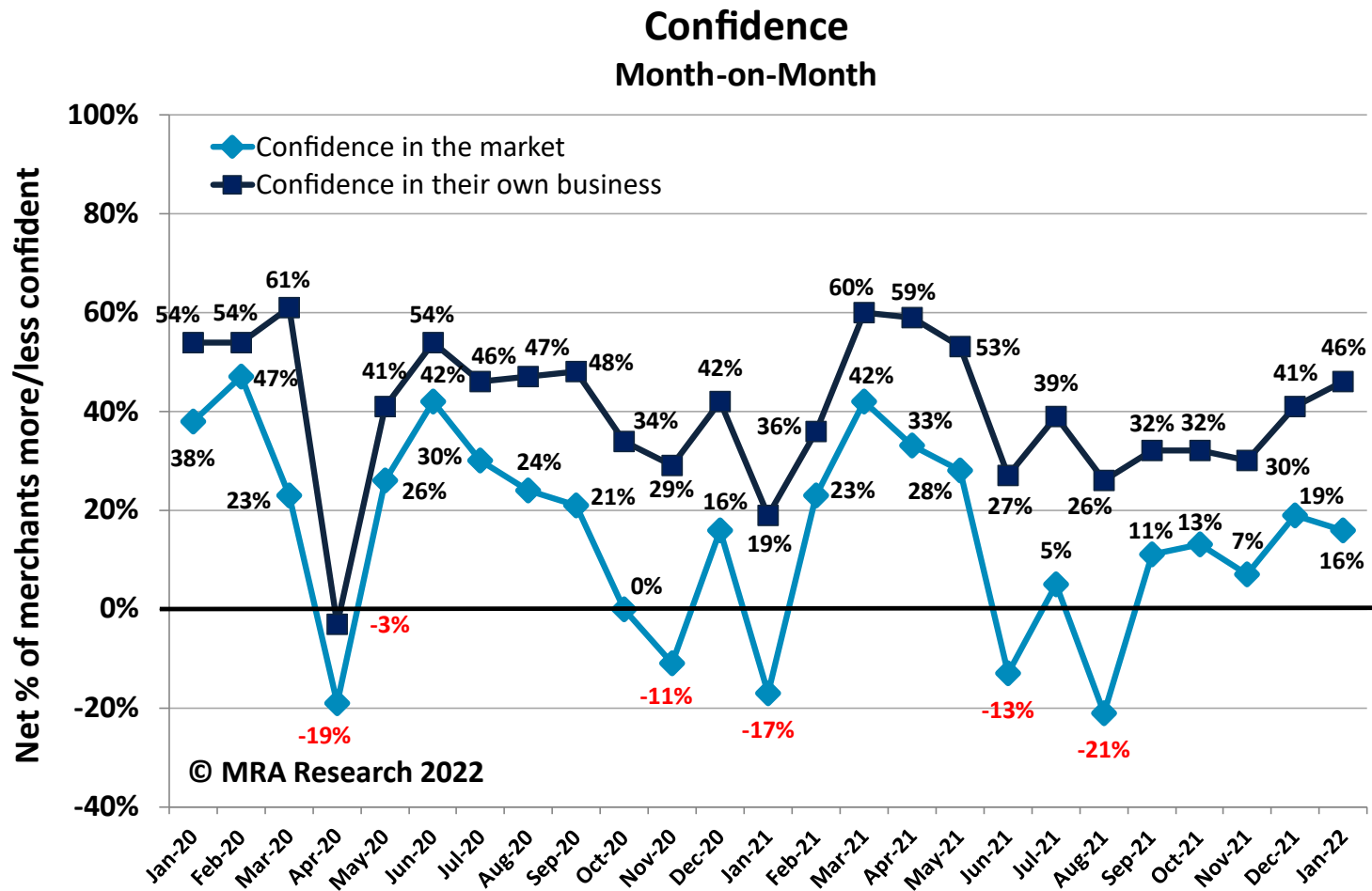
Merchants in the South (net +74%) are most confident, closely followed by National branches (+72%) and Large outlets (+71%).

Net figure: The difference between the percentage of merchants more confident about the prospects for their own business and those less confident is the net figure, expressed as a percentage. A positive net percentage indicates more confidence, a negative indicates less confidence. Net zero implies neutral. For this chart, 69% of merchants interviewed are more confident against 10% who are less confident. The net figure is +59% more confident.

Confidence in the market v own business

Month-on-Month

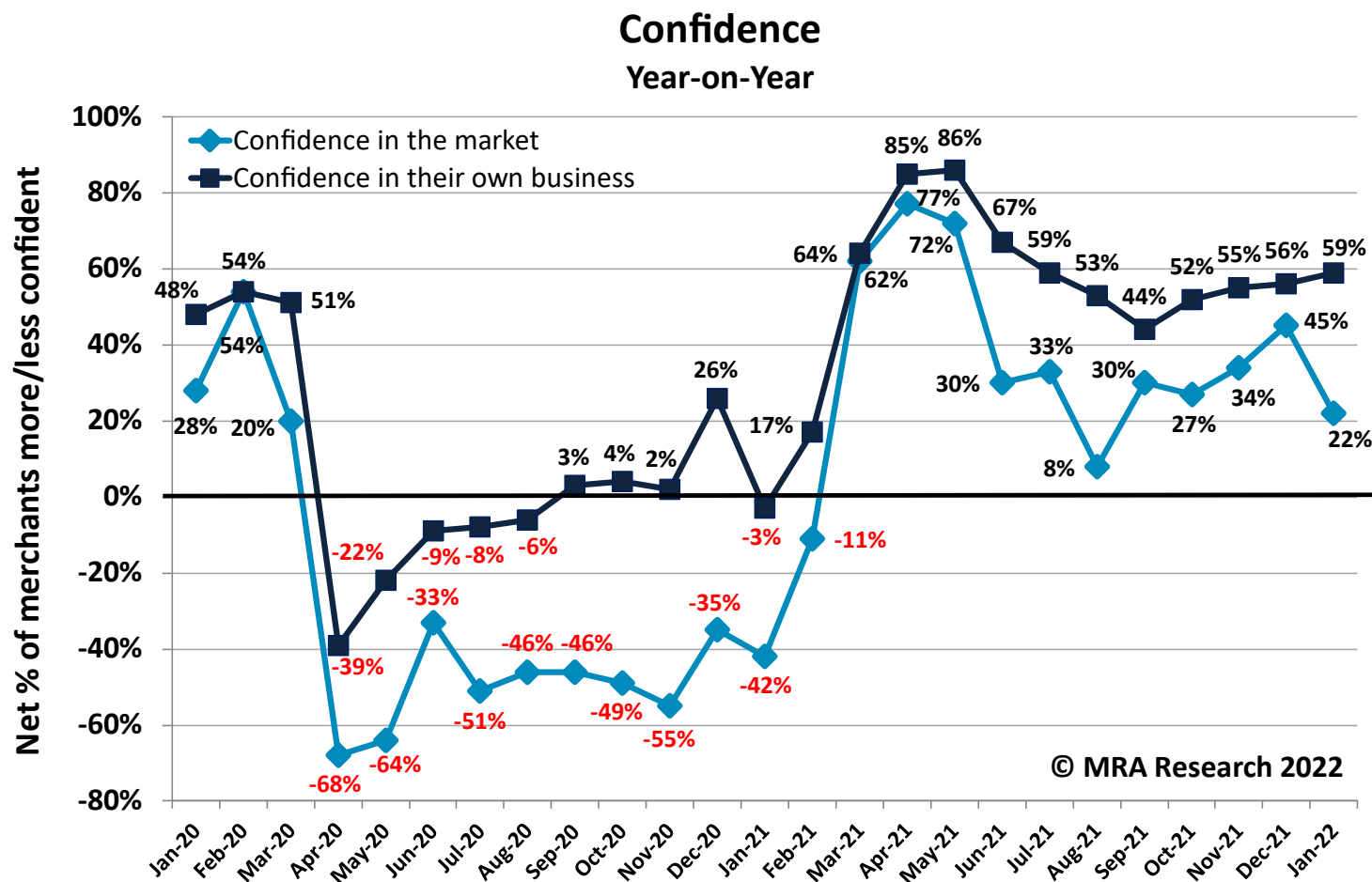
23



Confidence in the market v own business

Year-on-Year

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About The Pulse

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The Pulse is a monthly trends survey tracking builders' merchants' confidence and prospects over time. Produced by MRA Research, it captures merchants' views of sales expectations, confidence in their business, confidence in the market, and the key issues and problems they experience.



This report is the 33rd in the series, with interviews conducted by MRA Research between 4th and 7th January 2022. Each month a representative sample of 100 merchants is interviewed. The sample is balanced by region, size and type of merchant, including nationals, regional multi-branch independents, and smaller independent merchants.

The report can be downloaded from www.mra-research.co.uk/the-pulse or call Ralph Sutcliffe at MRA Research on 01453 521621.

About MRA

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MRA Research

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MRA Marketing

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In 2015, MRA set up the award-winning **Builders Merchant Building Index (BMBI)** in partnership with GfK and the Builders Merchants Federation. Monthly reports plus full quarterly reports with commentary by BMBI Experts – explanation and comments by industry leading brands speaking for their markets – are produced by MRA Marketing. Annual Round Tables, organised and produced by MRA Marketing, debate key industry issues, opportunities and trends. For the latest reports, Expert comments and Round Table videos, visit www.bmbi.co.uk.



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