



June 2022

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

Overview

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Builders' Merchants' confidence in the market drops sharply but they still expect sales to increase

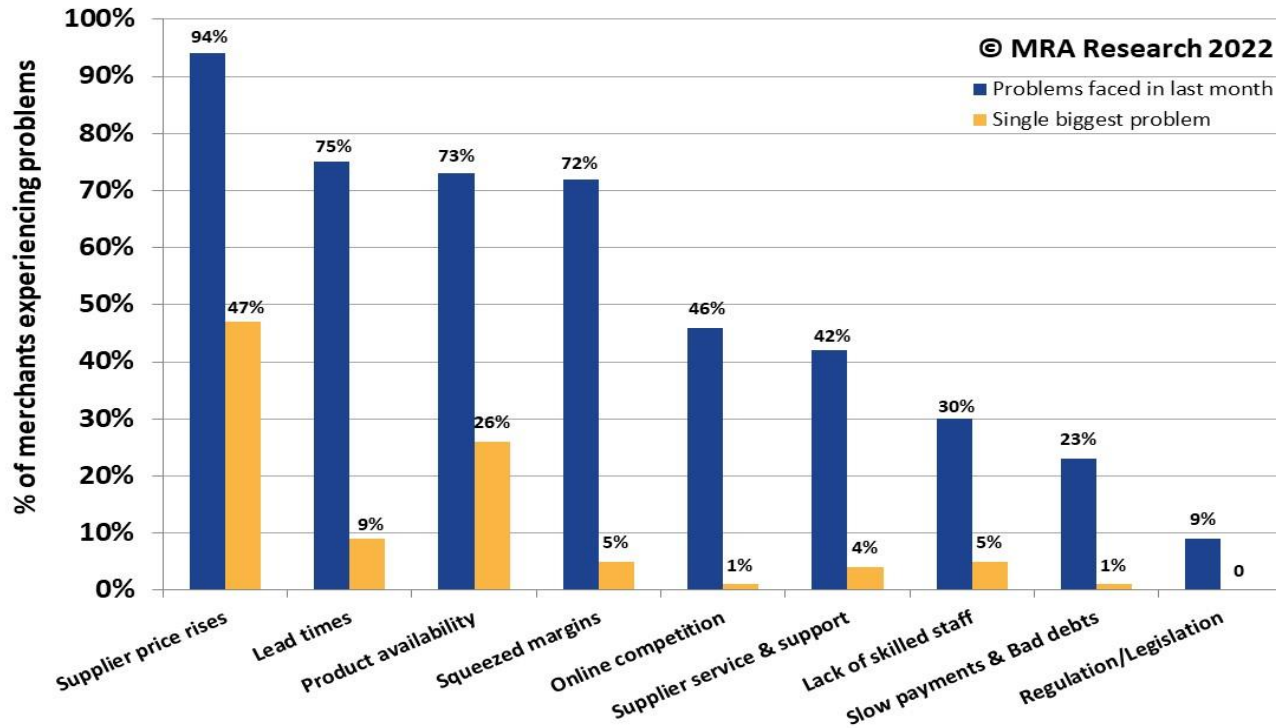
Merchants report multiple problems affecting their business, including lead times and skills shortages, with supplier price rises and product availability being the greatest challenges.

The standout finding from The Pulse research is the significant gap between builders' merchants' confidence in the prospects for the market (a new low of a net -35% month on month) and a net +30% who remain confident in the prospects for their own business. The big question is how long that gap can continue.

The Pulse, by MRA Research, is a monthly tracking survey of merchants' confidence and prospects. Telephone interviewing took place between 1st and 9th June 2022.

Problems faced by business in the last month

Problems faced by merchants in the last month



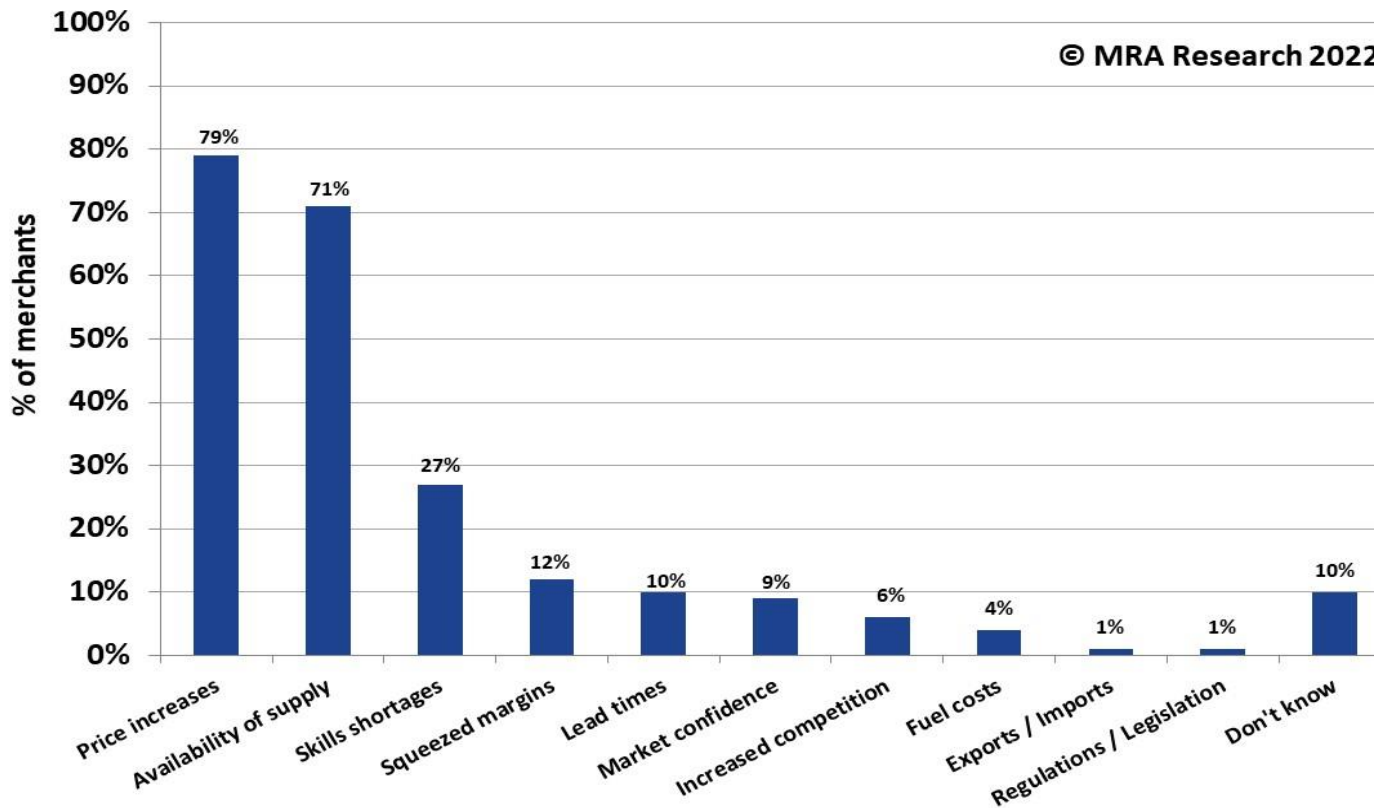
Merchants continue to battle multiple problems in a challenging and uncertain environment.

Nearly half (47%) of all merchants say supplier price rises are their single biggest problem in the last month.

Lead times, product availability and squeezed margins are problems for over 7 in 10 merchants.

The most important challenges for the construction industry today

The most important challenges for the construction industry today



Price increases (79%) and supply availability (71%) are the most important challenges for construction.

Skills shortages is an important problem for one in four merchants.

The most important challenges for the construction industry today

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Of the 20 merchants who cited 'other' challenges, comments included:

Budgeting for projects.

Communication.

Cost of living.

Customer affordability.

Deliveries and people not spending.

Global economy, lack of work for mid range industry.

If prices keep rising, the housing market will crash.

Keeping customers.

Lack of vision.

Employees for future.

Online competition.

Service.

Service.

Shortage of tradespersons.

Stability of the housing market.

Sustainability.

Transport.

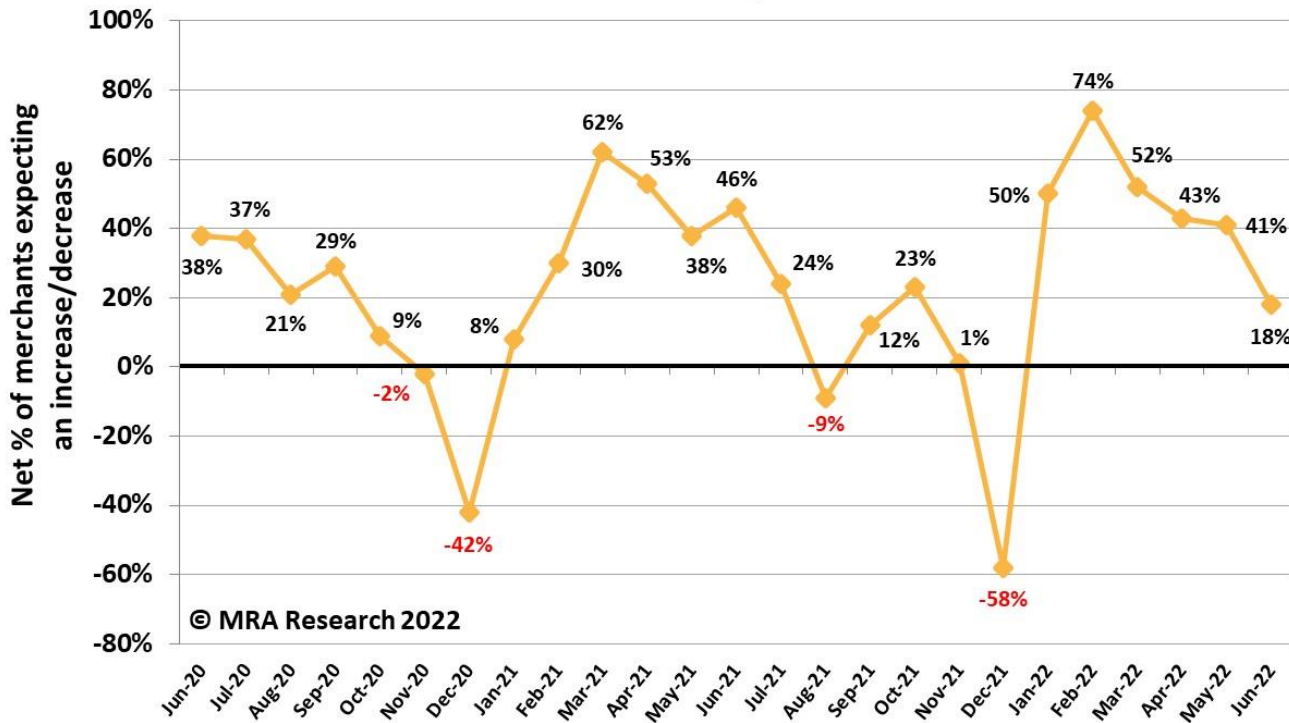
Vehicle emission zones (i.e.. Manchester and Birmingham).
Do we pass the cost on our clients?

Wages and products being made in this country, wouldn't affect supply so much if it was made here.

Weather.

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

Sales Expectations: Month-on-Month June 2022 v May 2022



Merchants' month-on month sales expectations declined 23% points in June to net +18%.

National (+29%) and Regional merchants (+19%) had the highest sales expectations.

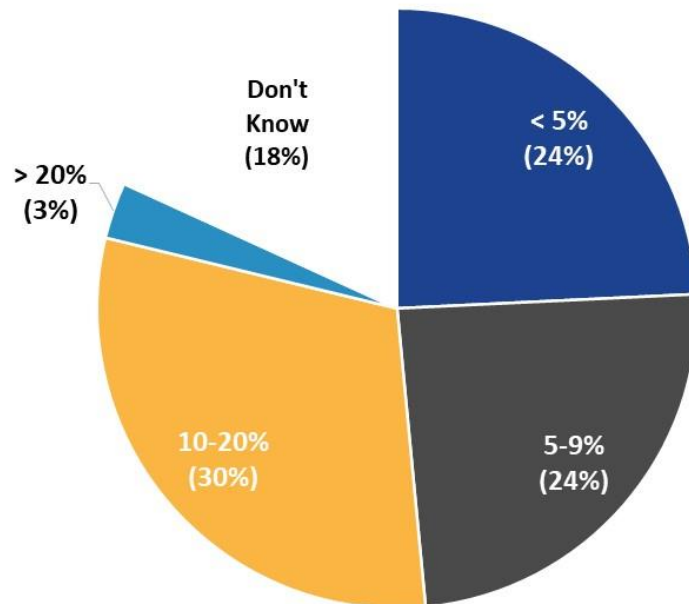
Expectations are weaker among Independents (-5%) and Large outlets (-10%).

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, 33% of merchants interviewed expect growth against 15% who expect a decline. The net figure is +18% expecting growth.

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

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Sales Expectations: % Increase
June 2022 v May 2022



Among those expecting sales to increase in June, almost half expect sales to grow up to 9% compared with May.

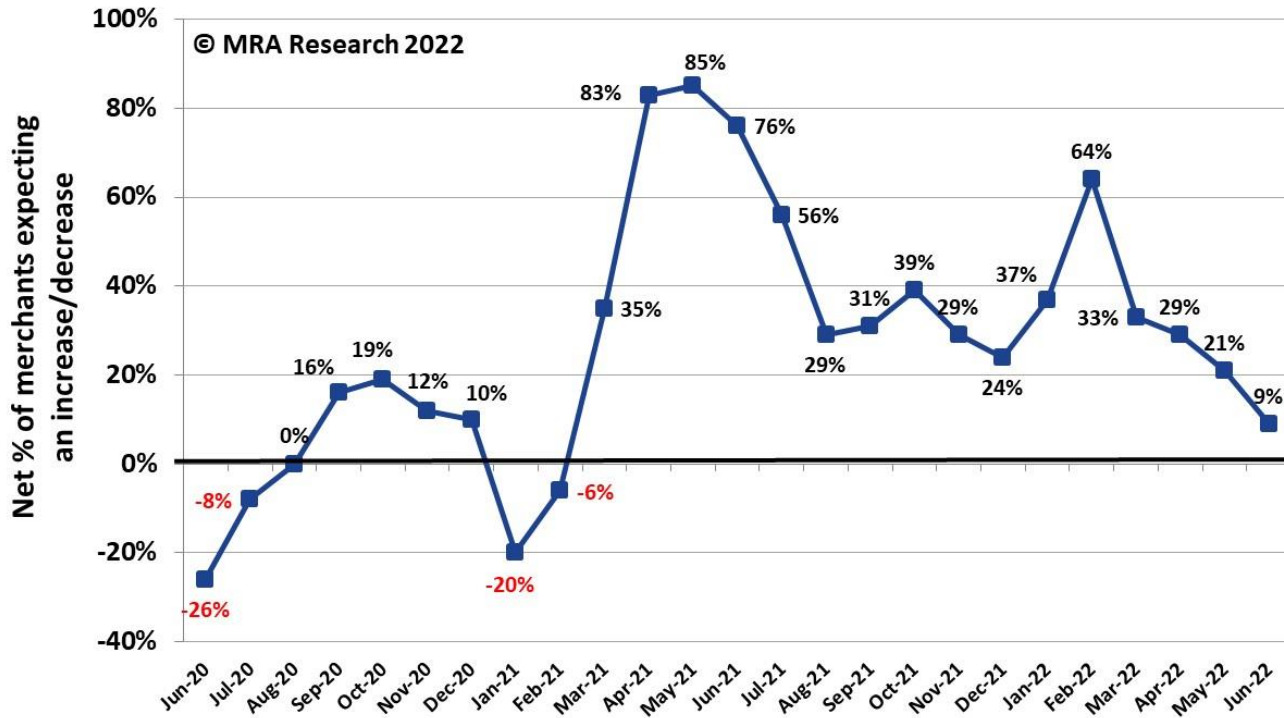
30% expect sales to increase by 10-20%, and a further 3% expect sales to grow by more than that.

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Base: 33

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

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



Sales expectations dropped from a net +21% year-on-year in May to +9% in June, indicating growth.

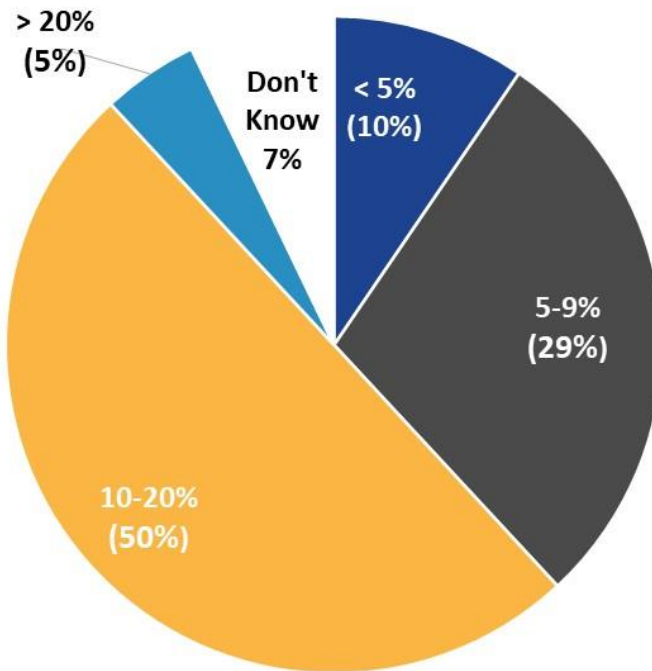
Merchants in the Midlands (+26%), Small branches (+25%) and the Nationals (+37%) have the strongest expectations.

Expectations are weak in Scotland (-6%), Mid-sized outlets (-5%) and Independents (-25%).

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, 42% of merchants interviewed expect growth against 33% who expect a decline. The net figure is +9% expecting growth.

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

Sales Expectations: % Increase
June 2022 v June 2021



Of those expecting sales to increase in June, compared to the same month in 2021, 39% expect growth of up to 9%. A further 50% expect growth of 10-20%.

One in twenty expect sales to increase by more than 20%.

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Base: 42

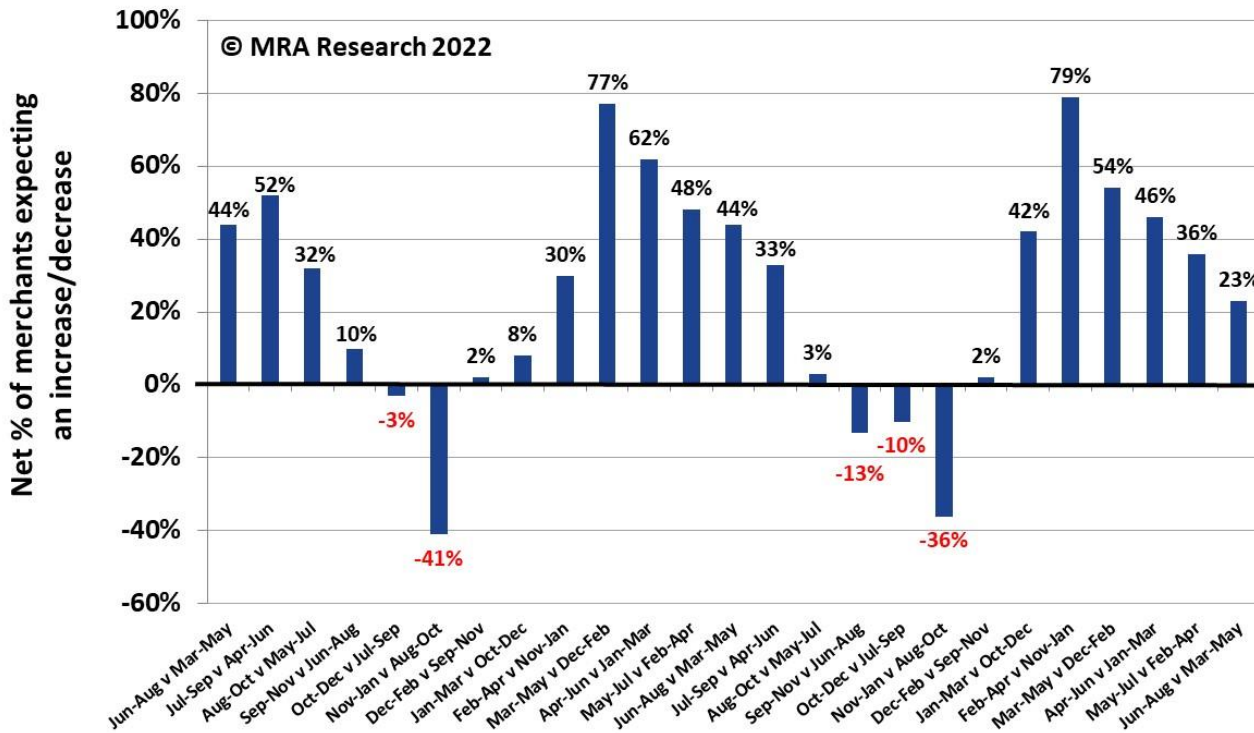
Sales Expectations

Month-on-Month v Year-on-Year



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

Sales Expectations
Quarter-on-Quarter (from June 2020)



While quarter-on-quarter expectations have weakened for the fourth month in a row, they remain strong overall. A net +23% expect June to August sales to increase compared to the previous three months (March to May).

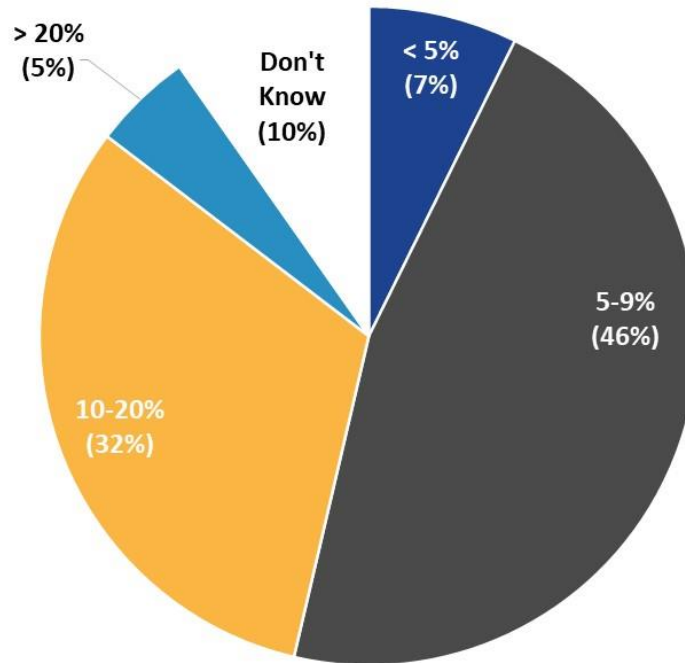
Expectations are particularly strong in the Midlands (+61%) and among Regional and National merchants (+36% and +18% respectively).

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, 41% of merchants interviewed expect growth against 18% who expect a decline. The net figure is +23% expecting growth.

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

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Sales Expectations: % Increase
Next 3 months (Jun-Aug 2022) v Previous 3 months (Mar-May 2022)



Over half (53%) the merchants who expect sales to grow over the next three months, expect growth of up to 9%.

One in three (32%) expect sales to grow by 10-20%, and a further 5% expect even stronger growth.

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Base: 41

Sales Expectations: Next six months...1



A net +13% of merchants expect sales to grow in the six months June-November, compared to the previous six months.

Expectations are relatively strong for merchants in the Midlands (+35%) and Scotland (+31%). Expectations are weaker in the North and South with net zero growth (+0%).

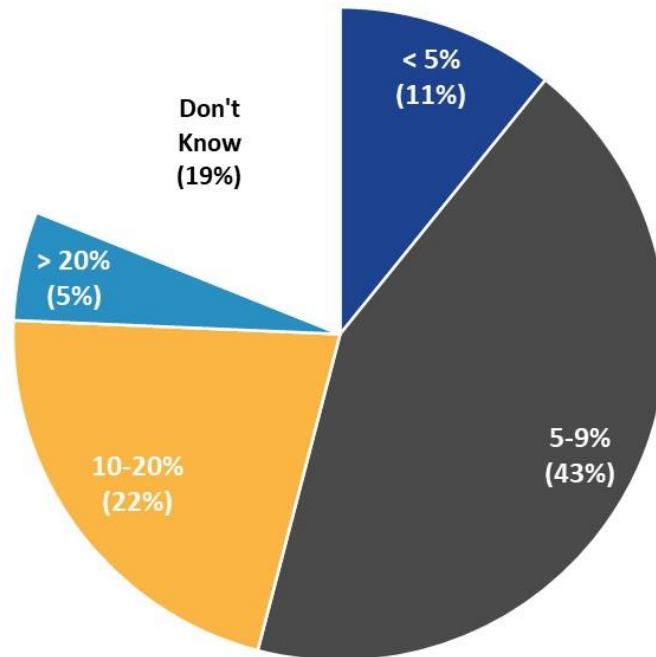
Small branches have higher expectations (+22%) than Mid-sized outlets (+8%) and Large branches (+5%).

Independents (-10%) have the lowest expectations.

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, 37% of merchants interviewed expect growth against 24% who expect a decline. The net figure is +13% expecting growth.

Sales Expectations: Next six months...2

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

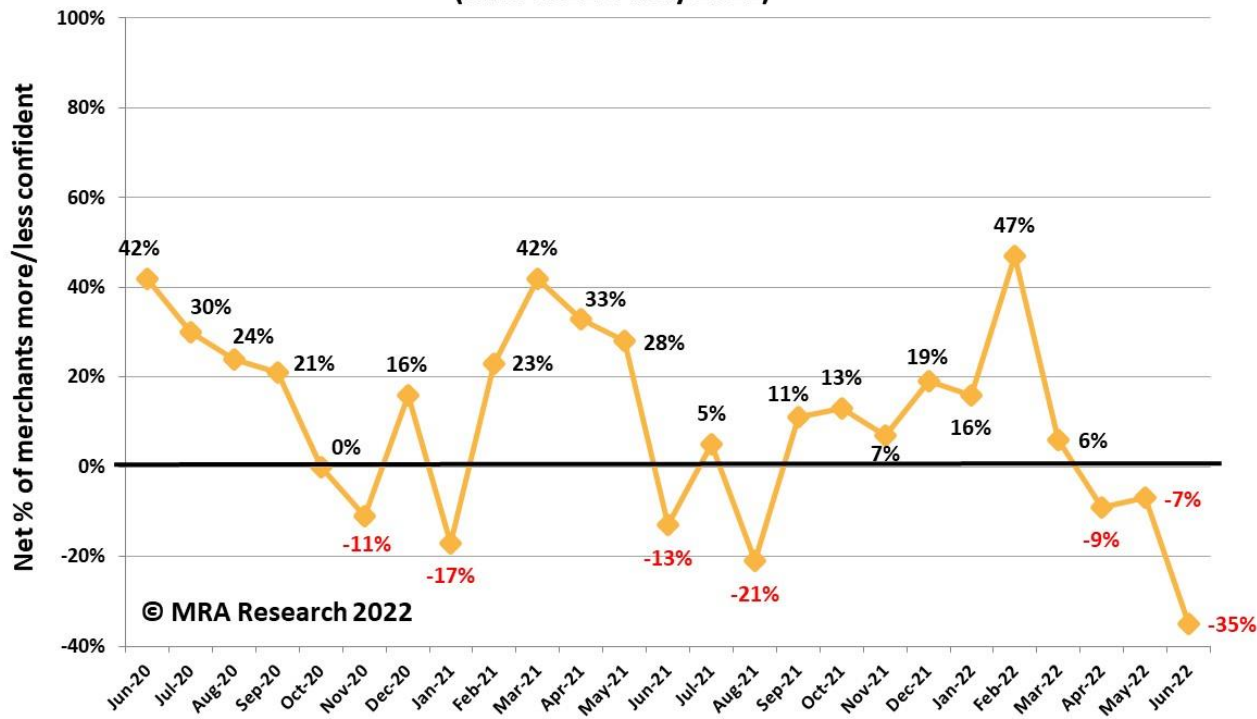


Of merchants expecting growth in the next six months, just over half expect sales to increase by up to 9%.

A further 22% expect growth of 10-20%.

Confidence in the market: Month-on-Month

Confidence in the market: Month-on-Month (June 2022 v May 2022)



Month-on-month market confidence declined sharply in June. A net -35% of merchants are less confident in the market than in the previous month.

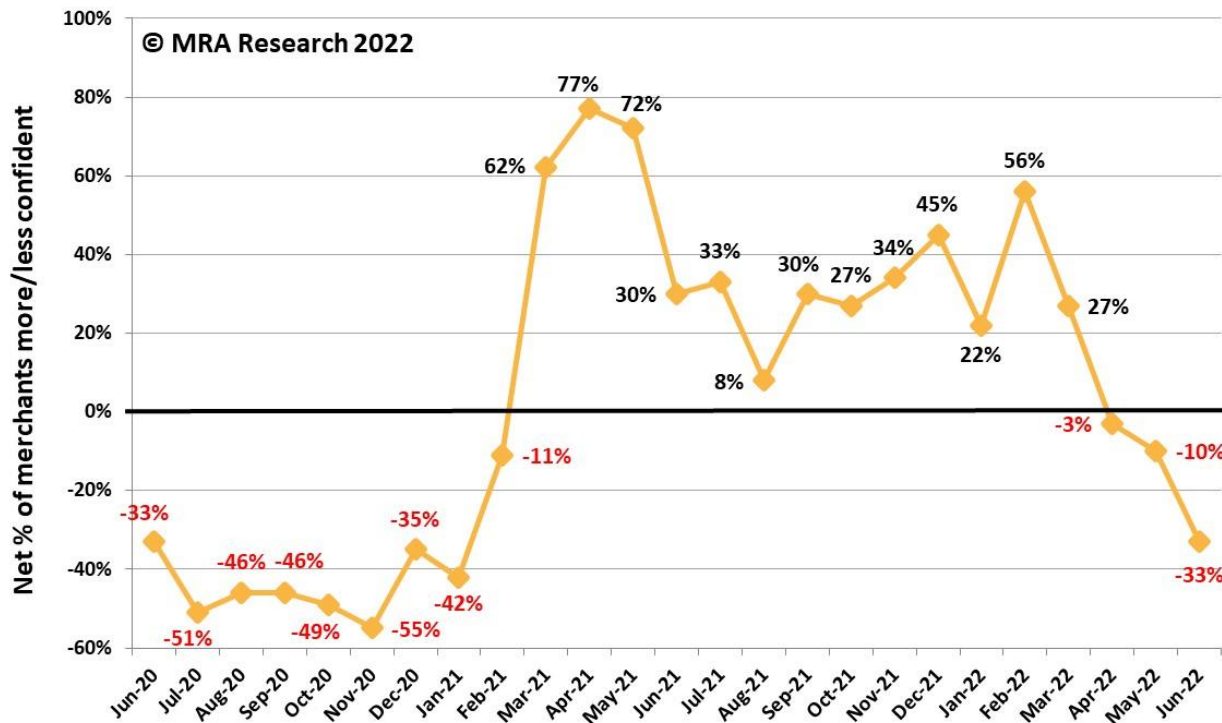
All sizes of outlet reported a drop in confidence, with Large (-50%) the least confident.

Regionally, merchants in Scotland and the Midlands are least confident (-62% and -50% respectively).

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, 48% of merchants interviewed are more confident against 13% who are less confident. The net figure is -35% less confident.

Confidence in the market: Year-on-Year

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



Year-on-year, market confidence continues to decline with a net -33% of merchants less confident in the market in June than they were in June 2021.

Mid-sized branches are still confident (+8%) but Large outlets and Small branches are less confident (-50%).

There are marked regional differences with the Midlands (+4%) more confident in the market than the South (-58%) and Scotland (-44%).

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, 27% of merchants interviewed are more confident against 60% who are less confident. The net figure is -33% less confident.

Confidence in the market:

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

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Of the **27** merchants who were **MORE confident** about the market than this time last year, comments included:

Because stock seems to be coming available again.

Covid.

Due to Covid and everything, people are more certain of what's happening now.

Due to covid.

General feedback, most of our customer base has plenty of work to do.

Is a lot busier than last year.

Last year there was a real shortage of stock. Now there are still problems of stock availability, but not as bad as last year, so things are better.

Last year we had shortages of stock. This year stock levels are much better, so we are doing much better.

Last year we hardly had any stock. This year there are still problems, but much better than what they were.

More confidence in the building industry.

Not as much Covid.

Obviously, we had lockdown last year, there was a lot more uncertainty than currently.

Product availability was a real problem last year. Things are so much better than what they were. So more confident.

Several big building projects are now starting, so far more confident.

Stock availability.

Stocks coming down again.

The customers are more focused on home improvement at the moment.

The uncertainty of covid/lockdown has been lifted.

Things are coming in quicker, and sales are getting easier.

Things are slightly less frantic in terms of supply that last year.

Think suppliers are returning back to businesses, there's more stock coming in, more customers coming into store and shopping face to face.

This time last year I was worried about lockdown adversely affecting sales. Now with lockdown far behind us, I am far more confident about sales.

We are buoyant at the moment where we are, enquiries are decent.

We are busier now than this time last year.

We have changed the target market of our clients since last year to be more local and offer a better service. This is now proving to be beneficial with increased sales, so far more confident.

We have concentrated on getting clients with Government contracts rather than the house builders, and this has proved worthwhile. So more confident.

We just haven't stopped, busy, busy, busy.

Confidence in the market:

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

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Of the **60** merchants who **were LESS confident** about the market than this time last year, comments included:

Because last year we were in a building boom, there was plenty of money, now with the cost of living, people are not building.

Because of supply issues.

Because of the price of everything.

Because we are heading into a recession, it's on its way.

Brexit and price increases.

Cost of living and fuel costs.

Cost of living increases.

Costs of living has increased, the Ukraine war, just coming out of the pandemic and this time last year was a lockdown so people had more money.

Customers have less disposable income to spend generally and certainly on doing up their houses.

Economy is stalling/falling, so economic spend on house improvements is falling.

Fuel prices, war in Ukraine people scared of spending money.

Getting hold of products and suppliers.

Good year last year, Price increases.

Increase in prices.

Increases in prices of everything.

Interest rate rises.

It's just generally gone a little bit quiet; people are going on holidays and the cost of living is affecting our work.

Just availability of some items.

Just because of supply, there's a lot of shortages.

Just been quite slow, the last month is giving a bit more hope.

Just don't know what's going on.

Just everything that's going on in the world, war, Brexit.

Just inflation, it's probably going to have big effect on the economy in the coming months.

Just purely everything is so expensive at the moment.

Just the cost of living going up for everybody.

Just with everything going on... Covid, the war, inflation, prices are going through the roof.

Large price increases has meant that some building projects have been put on hold.

Confidence in the market:

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

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Last year people couldn't go away on holiday, so they improved their houses. This year they are spending their money on holidays plus there is less spendable income available to improve their properties.

Last year people did their houses up. This year they are going away on holiday, so have less money to spend on their houses.

Last year people stayed at home and did their houses up. This year they can spend their money on holidays, plus with the rise of cost of living increases, this has put people off doing household projects.

Last year was particularly good. Inflation making things unpredictable.

Last year we were really busy with DIY customers. Now this has tailed off and we have our normal trade customers. But with price increases and with more increases in the pipeline, I am worried.

Market.

Not a lot of people have got a lot of money.

People are now going on holiday and with energy price increases too have less spare cash for home renovation.

People aren't spending at the moment.

People can now go away on holiday, so less money to spend on doing up their houses.

People had more spare cash last year to spend on building work but now they don't.

People haven't had a holiday for 3 years, the DIYers done all their stuff last year and everyone's going to go on holiday if they can, plus cost of living increasing.

Price increase.

Price increases are reducing confidence in the Builder's Merchants sector. People just haven't the money to spend on these price increases.

Price increases will destabilise the market. Cost of living rising affects customer confidence.

Price rises coming in, downturn in retail trade.

Prices going up has stalled many projects. So far less confident.

Recently heard SSE have put up their prices.

Rising costs, energy, fuel.

Struggling to get certain products.

Struggling to get hold of stuff.

Supplier issues and lack of stock.

Suppliers are ridiculous, prices keep rising, builders can't afford it and are going bust.

Supply issues and current economics.

Confidence in the market:

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

20

The cost of bills/ living has increased.

Things seem to be changing monthly now, you get an increase, the customer accepts the increase, then it goes up again, then you get abuse as they have already priced their jobs for 6 months, it's just causing a lot of "aggro".

Trade was booming this time last year, so I doubt it'll quite meet the same level.

Uncertainty in the world.

We just don't know where anything is heading.

With cost of living rising and cost of building materials rising, I am much less confident.

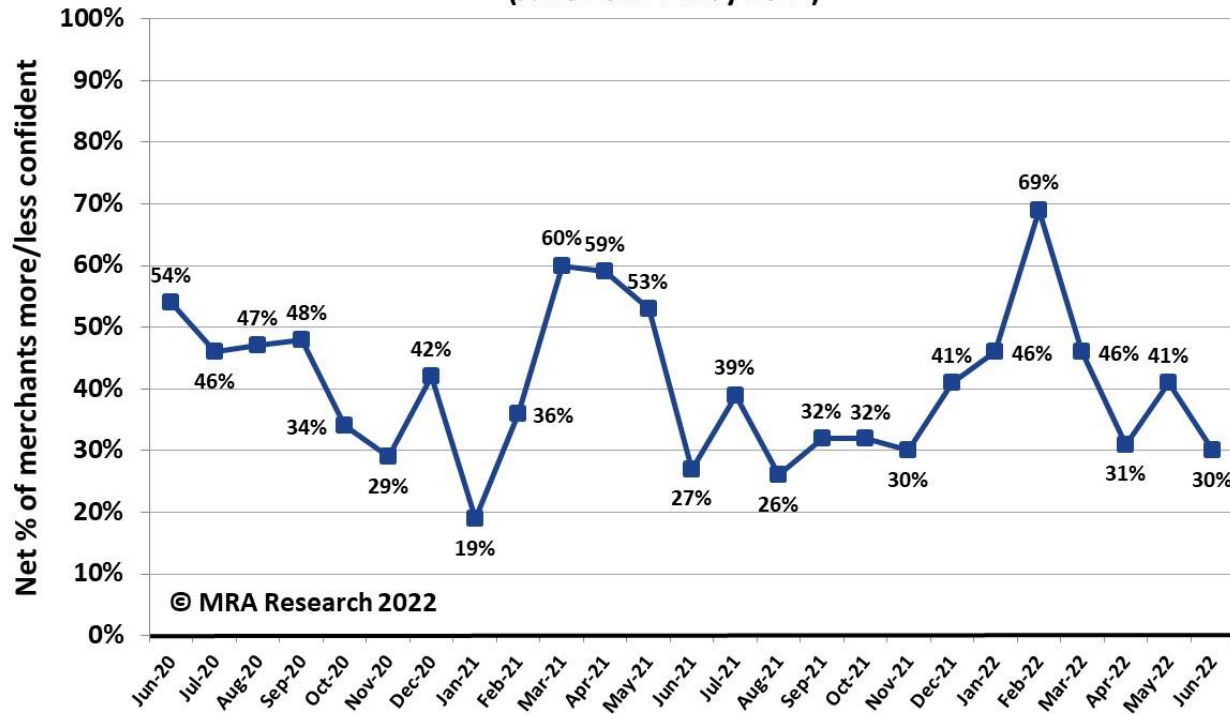
With costs going up and the cost of a house extension doubling the price in the last year, I am far less confident.

With energy and fuel costs rising, spendable income on housing projects is being reduced.

With prices going up and spendable income falling due to rise in cost of living, projects are being cancelled so the outlook is not good.

Confidence in their own business: Month-on-Month

Confidence in their own business: Month-on-Month
(June 2022 v May 2022)



While their confidence in the market has fallen sharply, merchants' confidence in their own business remains relatively strong at net +30%, month on month.

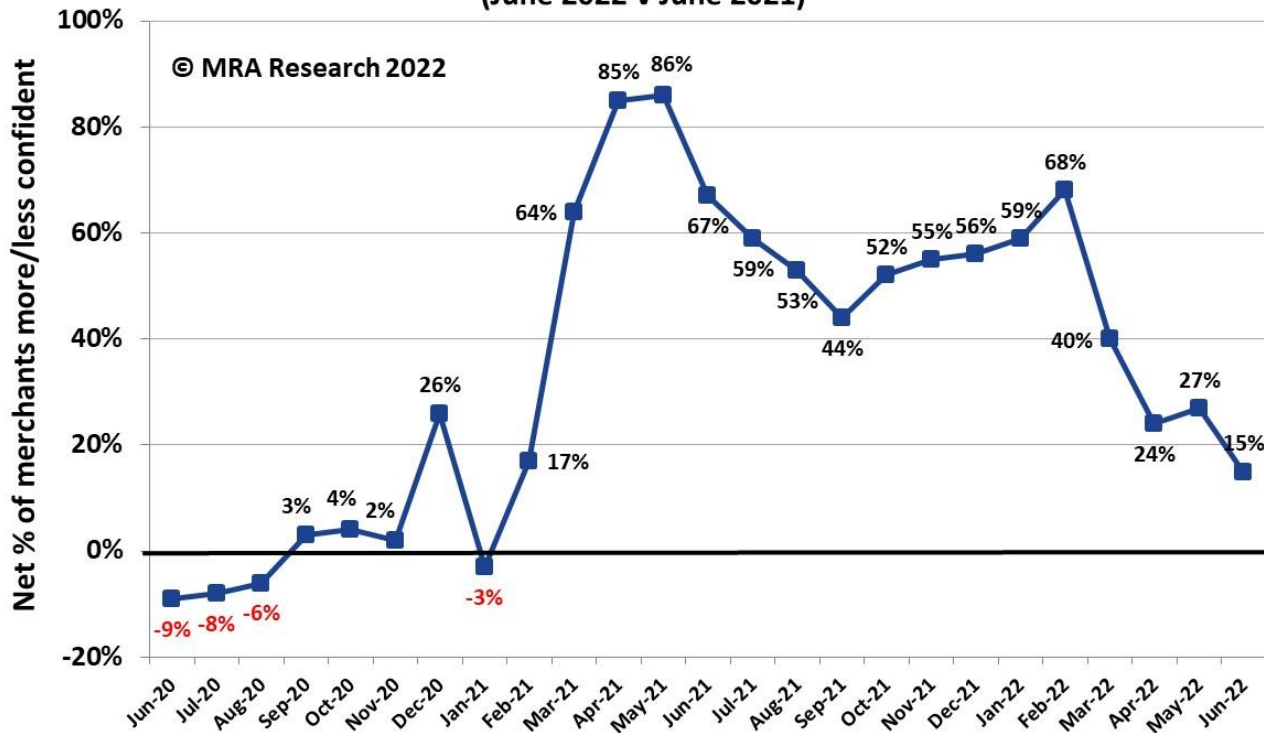
Confidence is strong across size of branch (+30%) and particularly in the North (+43%).

Scotland (0%) and Independents (-5%) are outliers with relatively low confidence in the prospects for their own business.

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, 40% of merchants interviewed are more confident against 10% who are less confident. The net figure is +30% more confident.

Confidence in their own business: Year-on-Year

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



Merchants' confidence in their own business declined Year-on-Year but is still positive (net +15%).

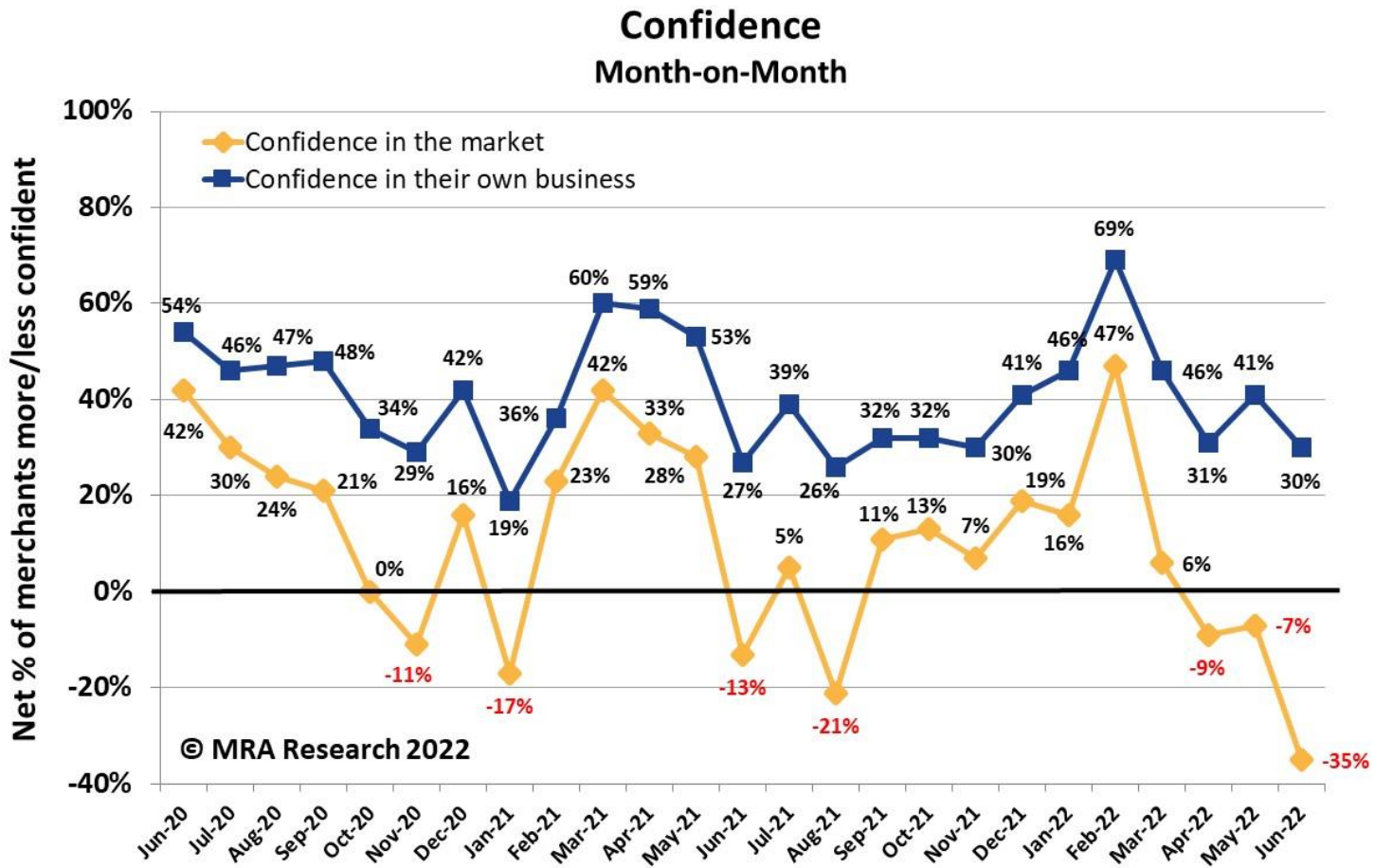
Mid-sized outlets (+32%) are more confident than Large outlets (-5%).

Merchants in the Midlands (+48%) are most confident and least confident in Scotland (-12%).

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, 40% of merchants interviewed are more confident against 25% who are less confident. The net figure is +15% more confident.

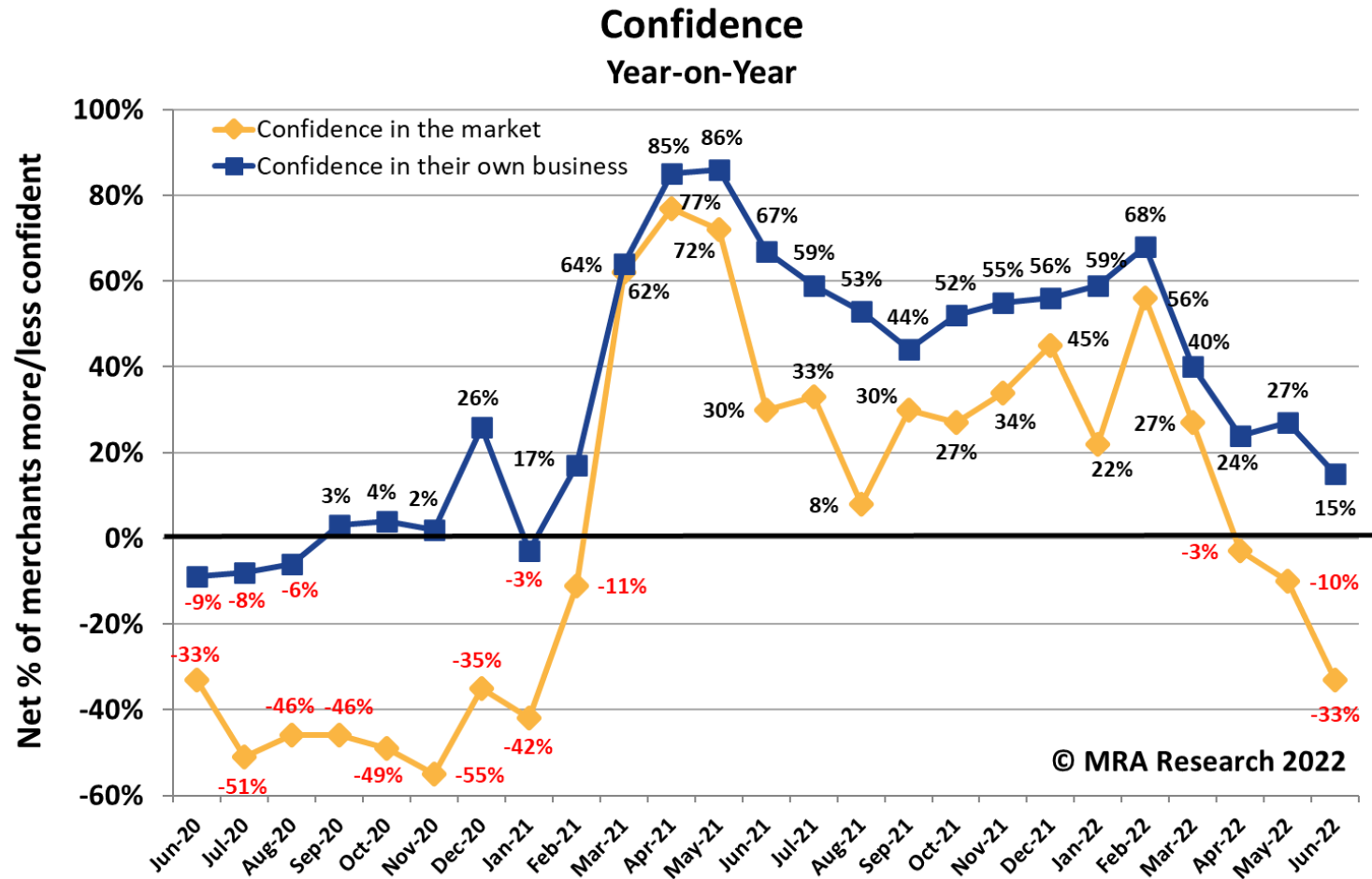
Confidence in the market v own business

Month-on-Month



Confidence in the market v own business

Year-on-Year



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 38th in the series, with interviews conducted by MRA Research between 1st and 9th June 2022 (5 working days). 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

MRA Marketing helps companies grow in the construction, building materials and home improvement markets – and has done so for nearly 30 years. A full-service agency, MRA uses strategic PR, creative design (digital and print), social media management, video, research & insight, marketing audits and strategy development to help its customers consistently achieve ambitious goals. www.mra-marketing.com



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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