



the Pulse
Expectations. Prospects. Confidence.

July 2022

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

Overview

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Market confidence declines further as merchants face higher costs and slowing demand

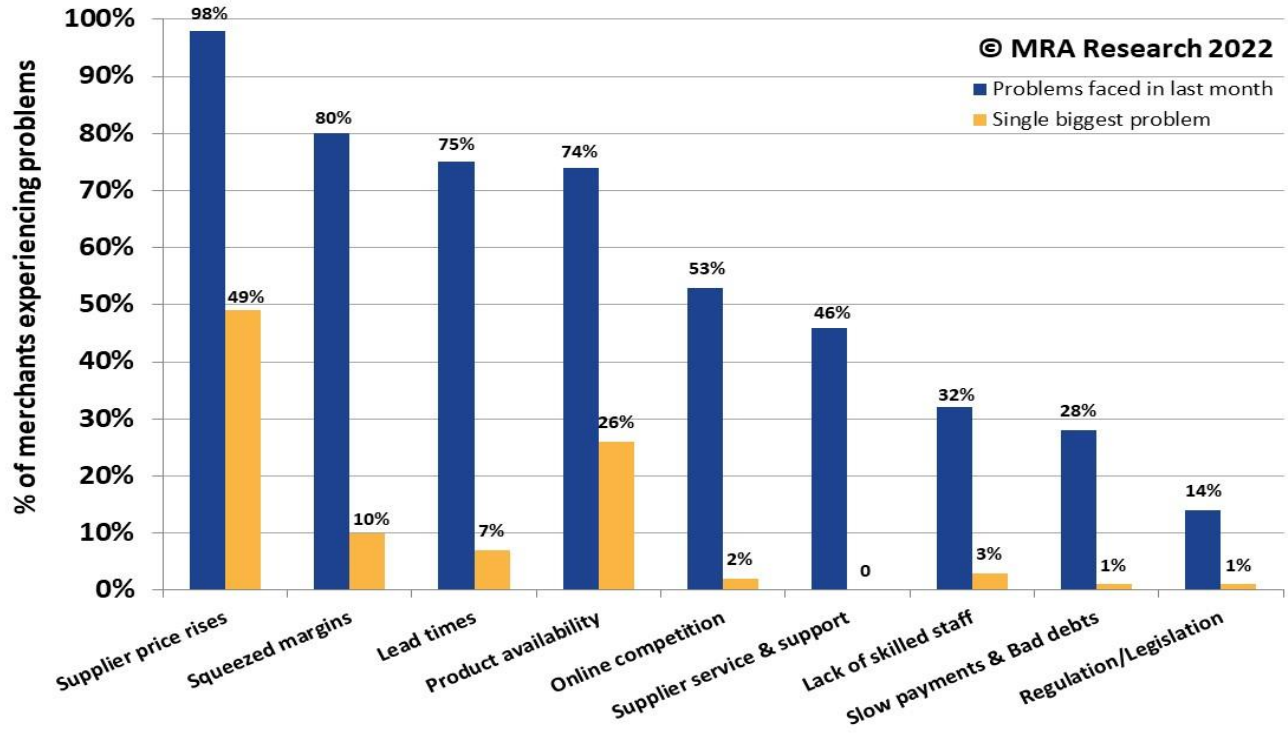
Confidence in the prospects for the market declined this month to a new low for 2022 of a net -46% year on year. Merchants remain more positive in the prospects for their own business but continue to battle several challenges in a uniquely difficult trading period.

Supplier price rises and product availability are the greatest problems.

The Pulse, by MRA Research, is a monthly tracking survey of merchants' confidence and prospects. Telephone interviewing took place between 1st and 5th July 2022 (3 working days).

Problems faced by business in the last month

Problems faced by merchants in the last month



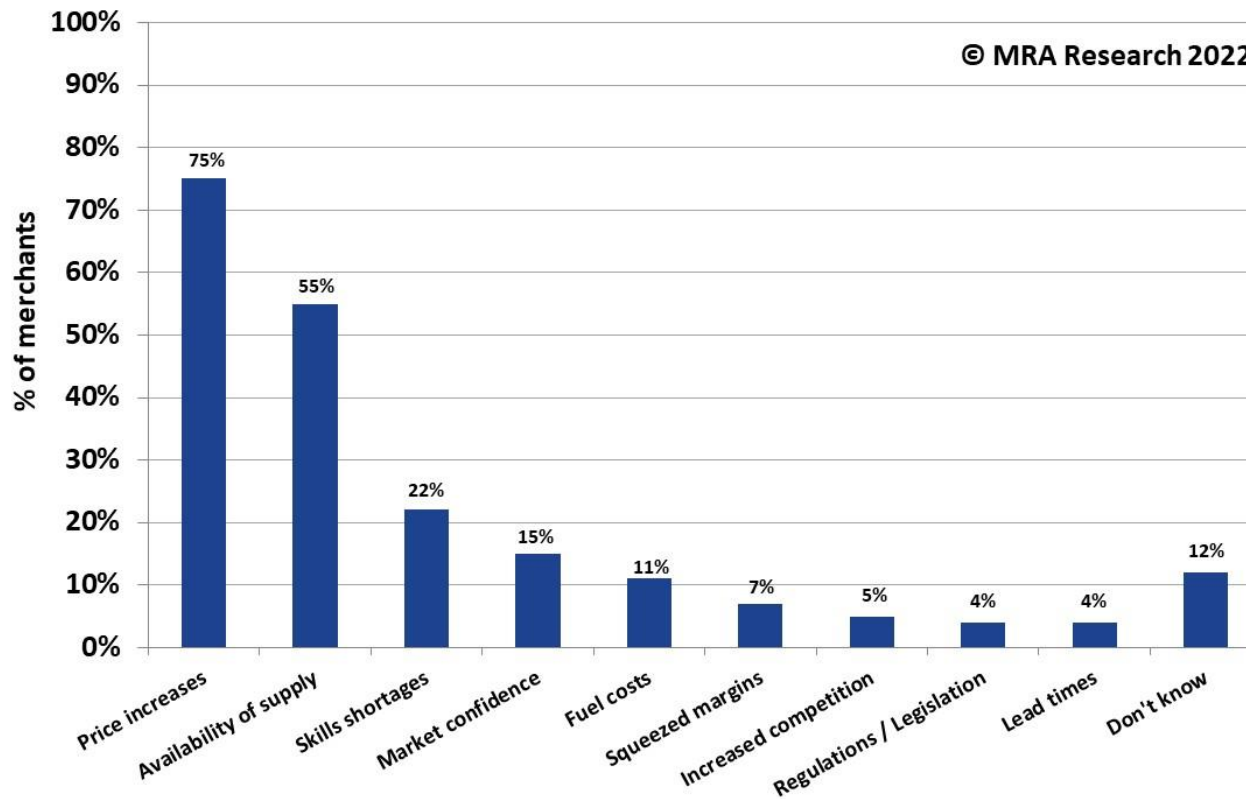
Merchants continue to face a multiple problems in a difficult trading environment.

Nearly half (49%) of all merchants say supplier price rises are their single biggest problem.

Product availability, squeezed margins and lead times are the single biggest problems for 43% of merchants, and 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

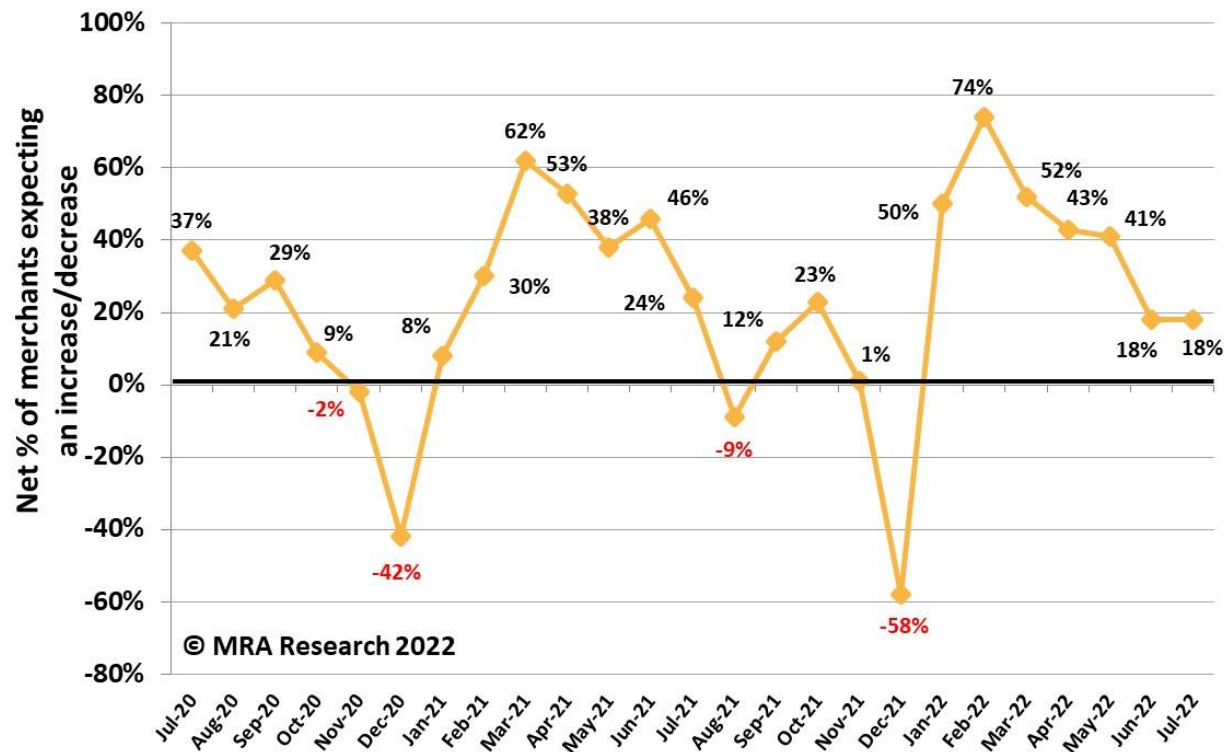


Price increases (75%) and supply availability (55%) are the most important challenges for construction.

Skills shortages is one of the most important challenges for one in five merchants (22%).

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

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



Merchants' sales expectations for July compared with June are unchanged at a buoyant net +18%.

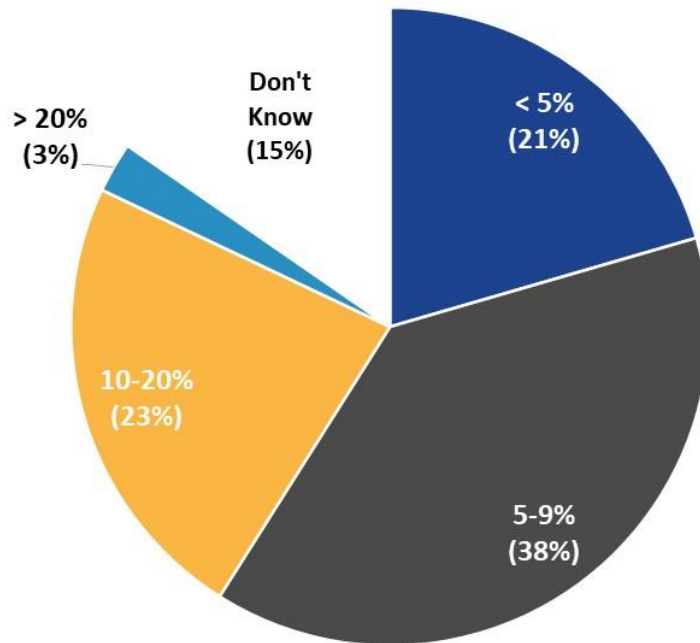
National (+35%) and Regional merchants (+25%) had relatively high sales expectations.

Expectations are weak among Independents (-47%).

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, 39% of merchants interviewed expect growth against 21% who expect a decline. The net figure is +18% expecting growth.

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

Sales Expectations: % Increase
July 2022 v June 2022

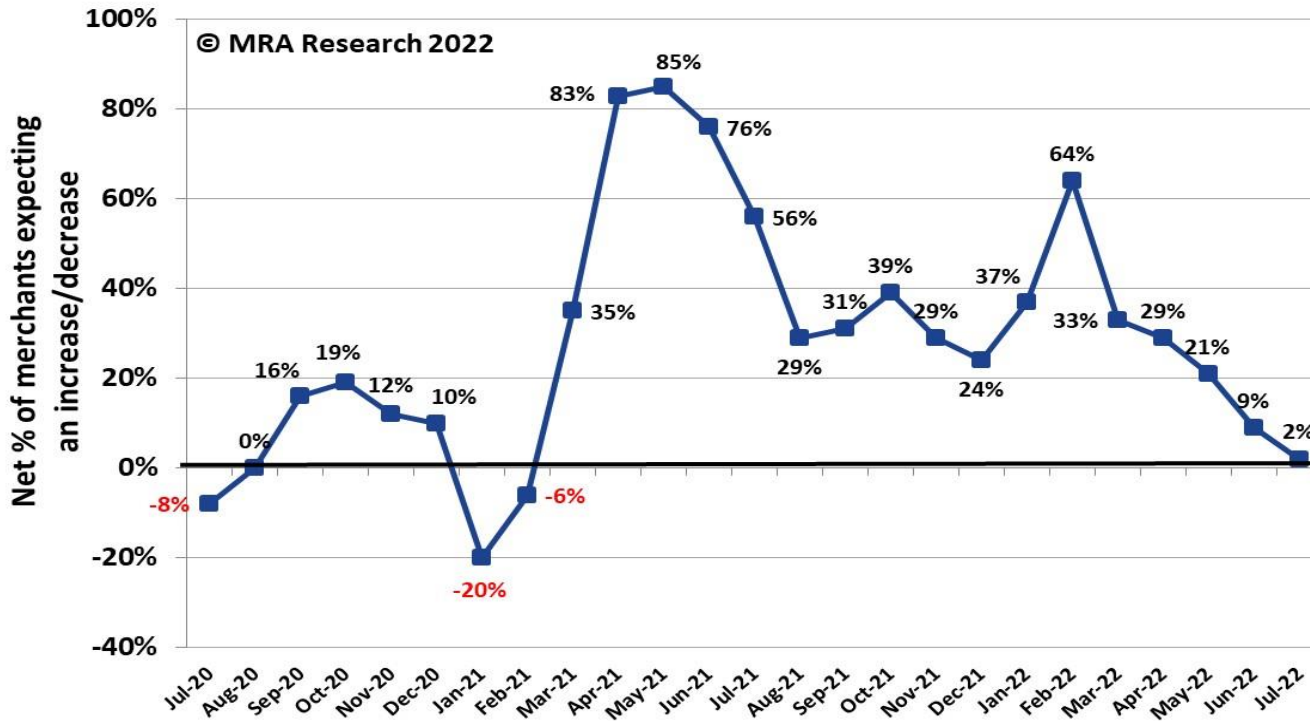


Among those expecting sales to increase in July, almost 6 in 10 (59%) expect sales to grow up to 9% compared with June.

23% expect sales to increase by 10-20%, and a further 3% expect sales to grow by more than that.

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

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



Sales expectations continued to weaken from a net +64% year-on-year in January to a net +2% in June, indicating mild growth.

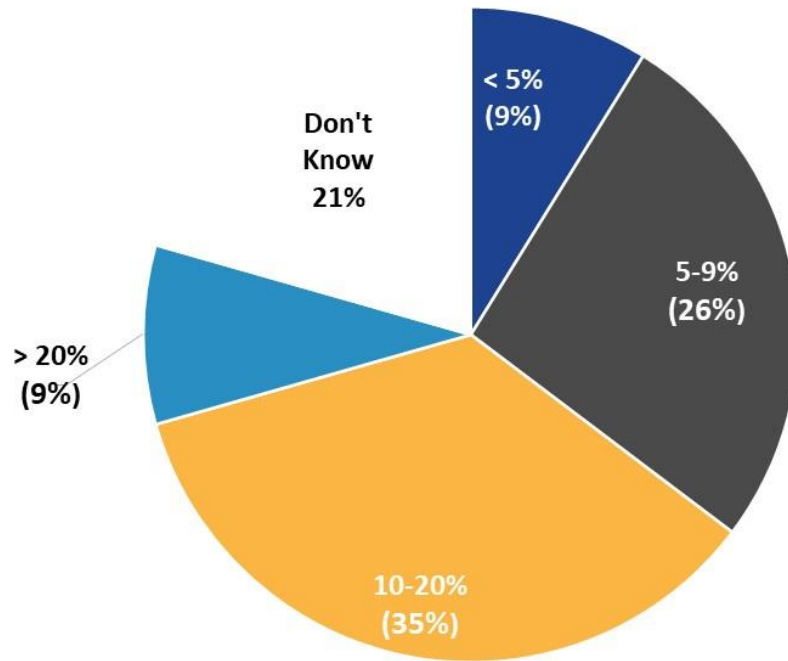
Merchants in the Midlands (+17%), Mid-sized outlets (+17%) and the Nationals (+22%) have reasonably strong expectations.

The North (-27%), Large outlets (-17%) and Independents (-33%) expect sales to decline.

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, 34% of merchants interviewed expect growth against 32% who expect a decline. The net figure is +2% expecting growth.

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

Sales Expectations: % Increase
July 2022 v July 2021



Of those expecting sales to increase in July, compared to the same month in 2021, 35% expect growth of up to 9%. A further 35% expect growth of 10-20%.

Reflecting market uncertainty, one in five (21%) are unable to say how strong growth will be.

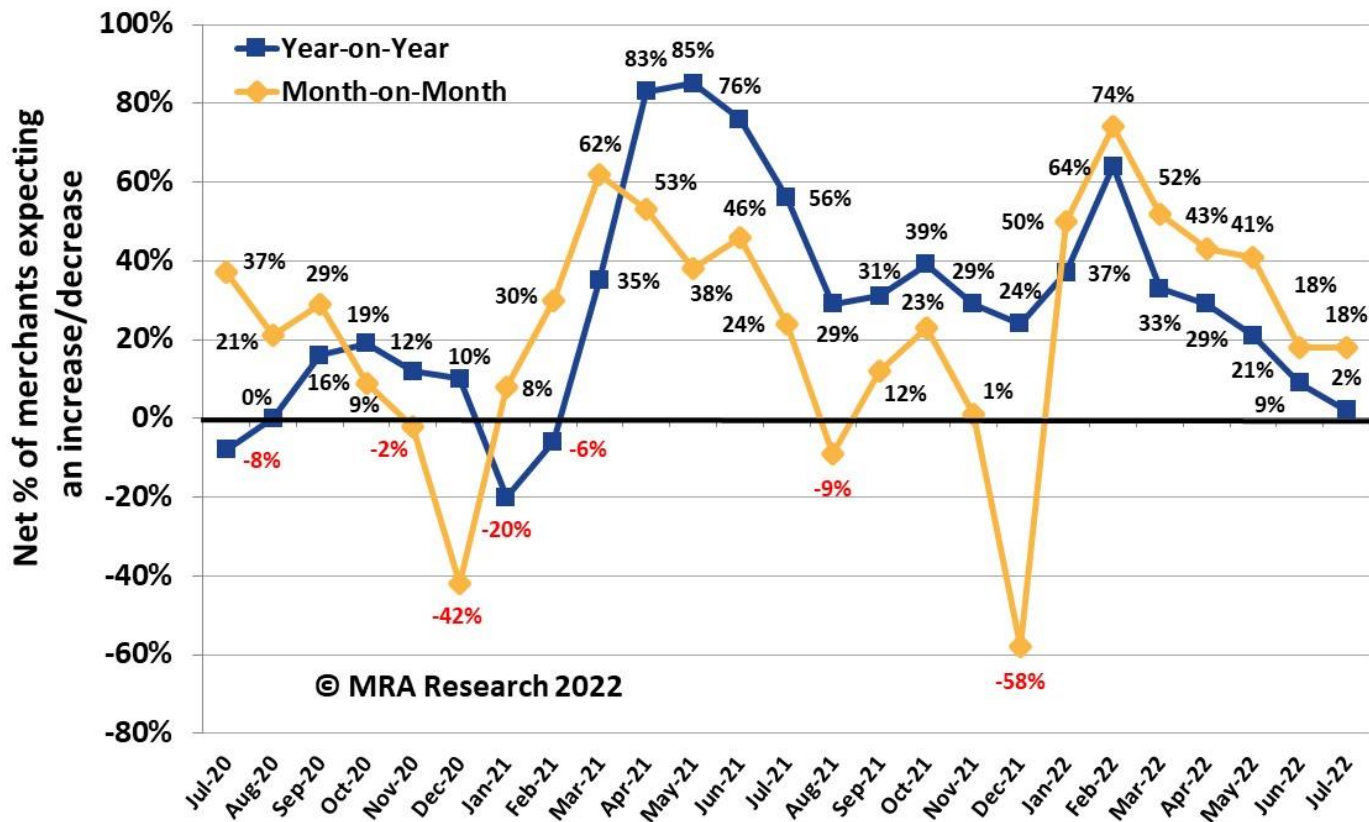
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Base: 34

Sales Expectations

Month-on-Month v Year-on-Year

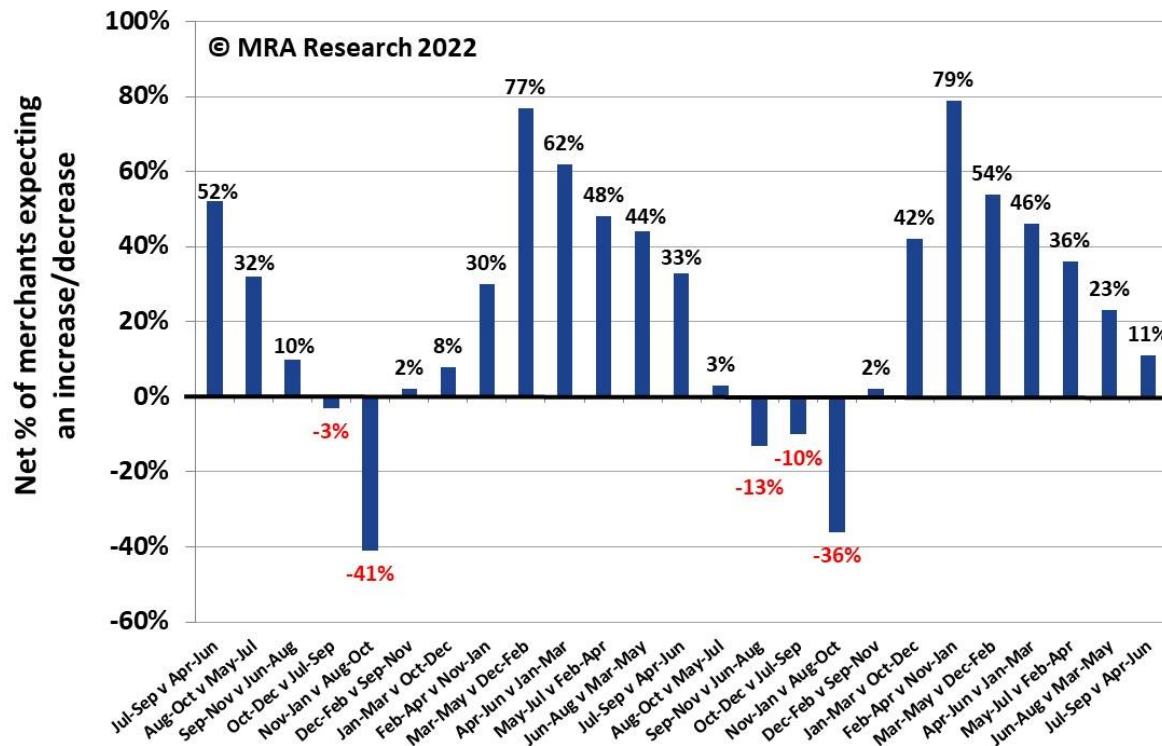
Sales Expectations



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

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



While quarter-on-quarter expectations have weakened for five months in a row they remain strong overall. A net +11% expect July to September sales to increase compared to the previous three months (April to June).

Expectations are particularly strong in Scotland (+31%) and among National and Regional merchants (+24% and +17% respectively).

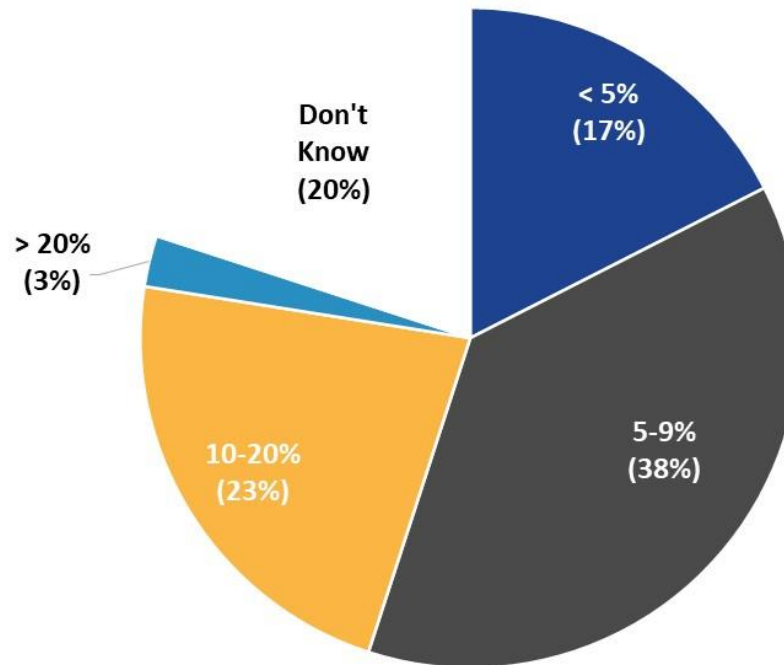
Large outlets (-28%) and Independents (-40%) expect sales to fall.

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, 40% of merchants interviewed expect growth against 29% who expect a decline. The net figure is +11% expecting growth.

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

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Sales Expectations: % Increase
Next 3 months (Jul-Sep 2022) v Previous 3 months (Apr-Jun 2022)



Over half (55%) the merchants who expect sales to grow in the next three months, expect growth of up to 9%.

One in four (23%) expect sales to grow by 10-20%.

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Base: 40

Sales Expectations: Next six months...1



Looking six months ahead, a net -10% of merchants expect sales to decline in the six months July-December, compared to the previous six months.

Nationals (+30%) and merchants in Scotland (+13%) still expect sales to grow.

Small branches have higher expectations (+12%) than Mid-sized outlets (-5%) and Large branches (-72%) who are expecting sales to contract.

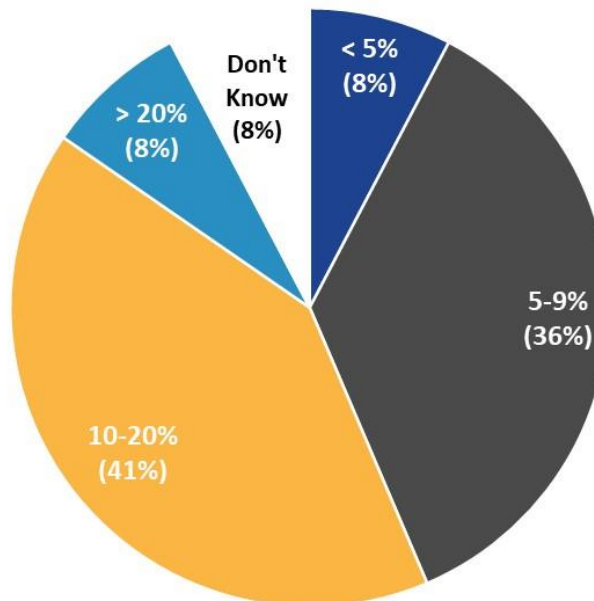
Independents (-73%) have the lowest expectations.

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, 29% of merchants interviewed expect growth against 39% who expect a decline. The net figure is -10% expecting growth.

Sales Expectations: Next six months...2

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Sales Expectations: % Decrease
Next 6 months (Jul-Dec 2022) v Previous 6 months (Jan-Jun 2022)



Just under half the merchants expecting sales to contract in the next six months, expect sales to decrease by up to 9%.

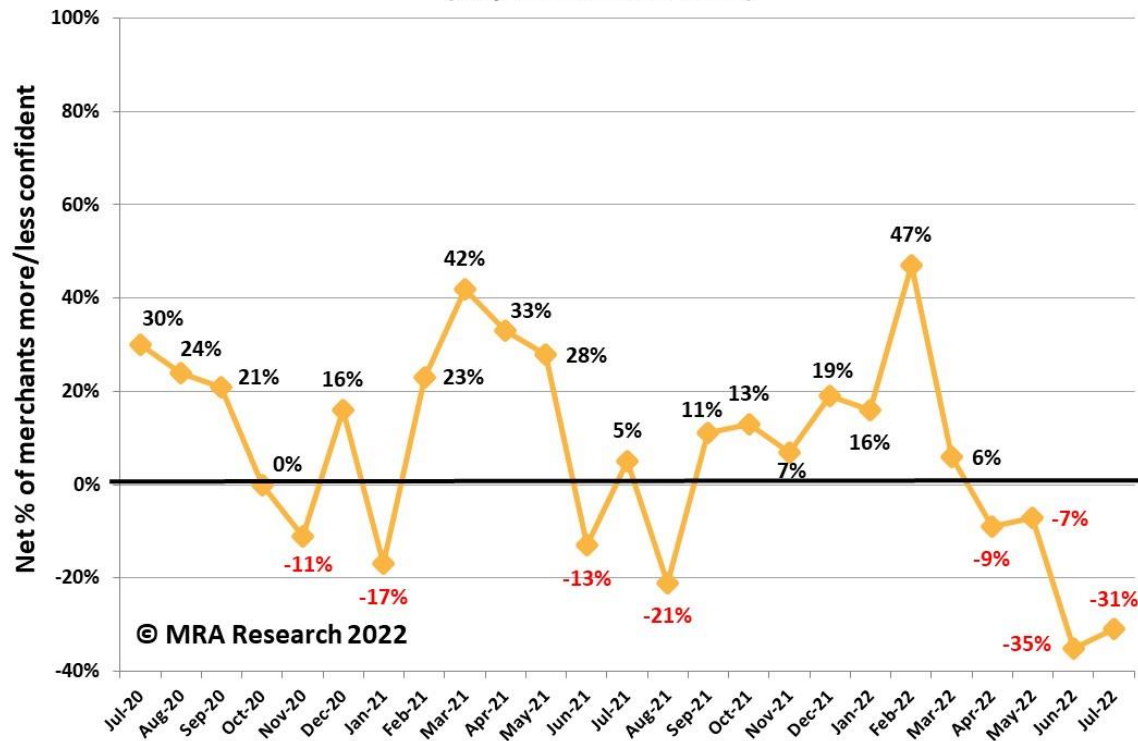
About half (49%) expect a decrease of up to 20%.

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Base: 39

Confidence in the market: Month-on-Month

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



A net -31% of merchants are less confident in the market now than in the previous month. Market confidence is marginally less weak than in June (-35%).

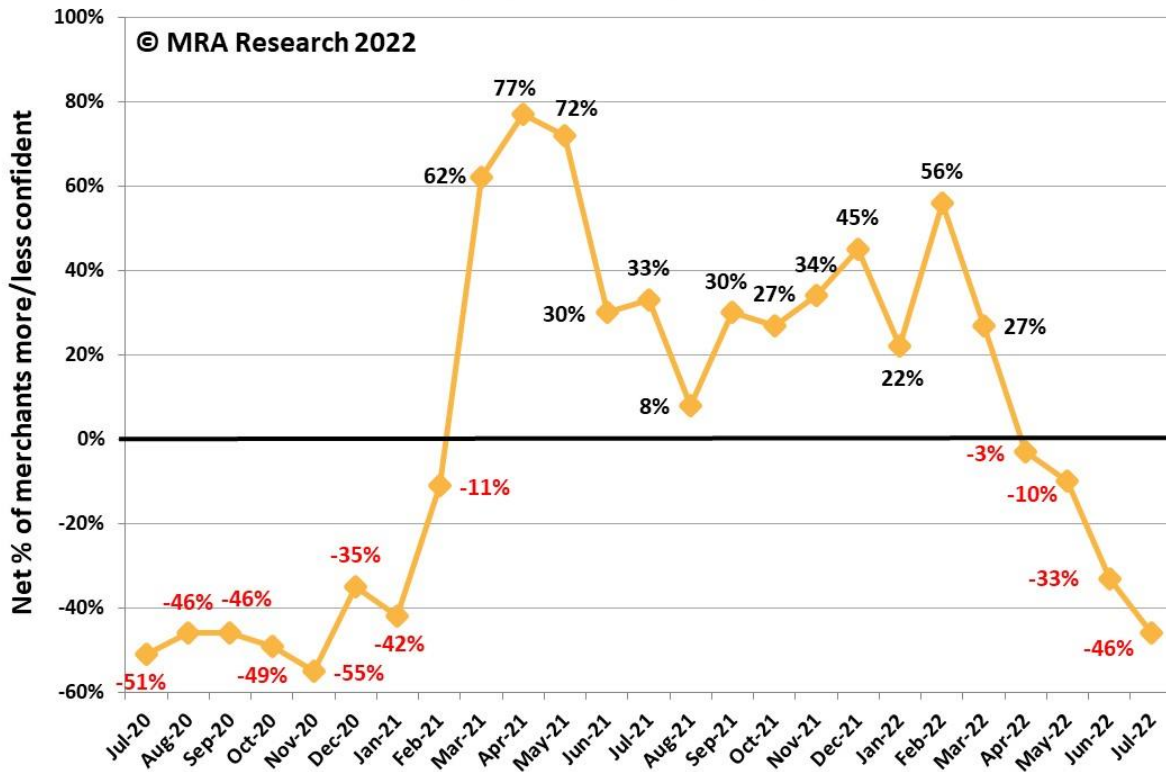
All sizes of outlet & all regions reported a drop in confidence, with Large outlets (-50%) and merchants in the North the least confident (-50%).

Nationals have a balanced view of the prospects for the market (a net 0%). Independents and Regionals (-47% and -50% respectively) are the least 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 16% who are less confident. The net figure is -31% less confident.

Confidence in the market: Year-on-Year

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



Year-on-year, market confidence continues to slide with a net -46% of merchants less confident in the market in July than they were in July 2021.

Confidence dropped across all sizes of outlet, regions and types of merchant. Large outlets (-61%), the North (-68%) and Independents (-67%) are the least confident.

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, 20% of merchants interviewed are more confident against 66% who are less confident. The net figure is -46% less confident.

Confidence in the market:

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

16

20 merchants were **MORE confident** about the market now than this time last year. Comments included:

Because we thought there would be a downturn before the upturn we have had.

Booming trade, lots of enquiries at the moment.

Covid was a problem this time last year. Now that is all behind us. So, we now have stock and price increases are starting to stabilise which is good.

Everything has settled down now, the price hikes are seemingly over.

Just got lots of new builds starting, RMI market is still going strong, smaller jobs have slowed down, but bigger jobs are going full steam ahead

Just the volume of work coming through, we are busier than we thought we would be, also we are another year further on from the pandemic

Last year we didn't really know where covid was going or if we were going to have more lockdowns.

Last year we had a big problem of lack of stock. Now that problem has disappeared.

Lead times better so supply chains better.

Less restrictions and everything more back to normal.

More trade, good months.

People are spending money at the moment.

Supply issues seem to be minimising now.

The products are becoming more and more available, so we have things to sell, rather than just empty shelves.

There are more projects live now compared to last year.

Things seem more stable than this time last year.

We have been taken over and the new owners have far more products to sell. So, I am far more confident.

We have more customer base on board.

We're just used to it now, accept the way we trade now, it's different to pre covid, Brexit etc, but we are now trading more confidently.

Confidence in the market:

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

17

66 merchants were **LESS confident** about the market than this time last year. Comments included:

Cost of living, inflation, cost of materials, a lot of people are either pausing, postponing or stopping projects

A lot more happening this year, prices increases, wars etc.

A number of factors, more people going on holidays, more people looking for work.

Because of where we are heading at the moment, recession.

Because we have gone really quiet compared to what we were doing.

Confidence in the market has decreased.

Cost of living increase.

Cost of living increases and inflation.

Cost of living rises makes demand for goods fall.

Cost of living rising means sales are falling.

Current price increases is stunting sales.

Demand has dropped.

Due to inflation going up, sales are dropping.

Energy bills, cost of living, war affecting supplies.

Everything seems to have gone quiet, covid had a knock of effect, Brexit, cost of living, fuel.

Fuel prices, energy prices, cost of living, effects a lot of work being done on houses.

Getting hold of materials - literally been a problem with boilers, there's a certain part we used to get daily and now it takes 2 weeks to get one.

Have had a slow down the last 4/5 weeks.

Heading into a recession. Less trade.

Increase of price of the materials.

It's a totally different ball game now, conditions have changed.

It's quietening down.

Just due to the market conditions, cost of living, customers don't want to spend money.

Just general cost of things.

Just heading for a hard time, financially everything's tight, price increases, everything's getting harder and harder.

Just price increases.

Just things are slowing down, interest rates rising.

Last year our builder customers just paid the price for any product. Now they are far more cost conscience and are shopping around, so our sales are dropping off.

Confidence in the market:

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

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Last year there were not many options, restaurants, pubs, travel abroad, a lot of people were working from home, so happy to spend money on their houses, this year everyone is on holiday.

Last year was booming, now we have price increases, stock allocations.

Last year was covid and everything else, everything is now going up in price, cost of living, people are holding back money, not spending, keeping it themselves, whereas last year everyone was spending as they couldn't go away.

Last year was very busy after covid and now that people are struggling for money they are choosing to go on holiday rather than do their houses.

Lots of price increases and inflation could start to have a negative impact on the business.

Mainly just the pricing issues.

Media reporting cost of living is having a negative effect on everything.

Money is a lot tighter, we are in an uncertain time at the moment.

Pandemic, had a good sales growth.

Price increase.

Price increase and availability.

Price increase and availability on certain products.

Price increase is massive and people will really struggle.

Price increases.

Price increases.

Price increases.

Price increases.

Price increases.

Price increases and availability.

Price increases have affected affordability so customers can't afford services.

Price increases is reducing demand/sales.

Price rises.

Price rises are having a negative affect on the market.

Quiet on domestic side, busy on commercial side.

Recession, no one willing to make sensible decisions.

Rising inflation is reducing demand for products.

Supplier getting gear in is difficult at the moment.

Supplier issues, industry a bit quiet at the moment.

Supply issues and price increases.

The cost-of-living increases which are stifling domestic surges.

Confidence in the market:

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

19

The current climate.

The general economic climate - decline in confidence, interest rates rising.

The last 2 years has been absolutely brilliant, and I am never going to see that again in my lifetime. So, the next 2 years are going to be 'polar' opposite as we are going to be in for a hard time.

The market is dropping as customers can't afford the price increases.

The sales are down a chunk from this time last year.

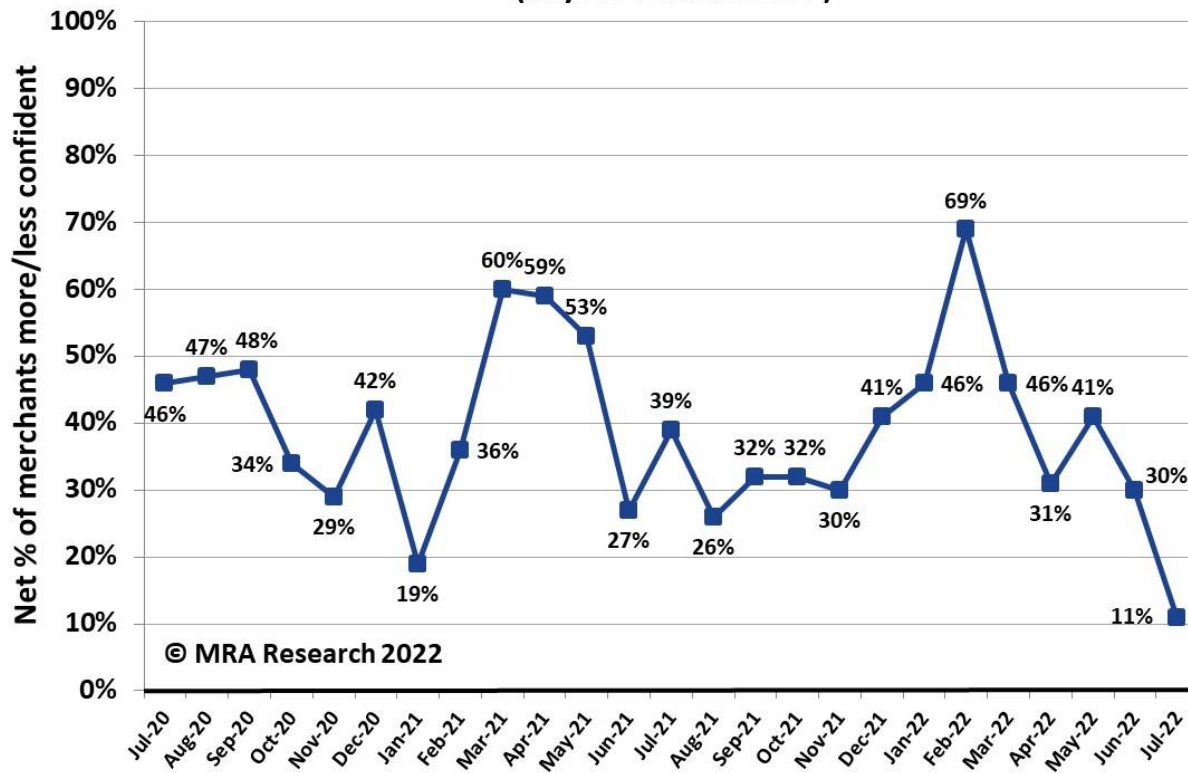
The timber market has halved since last year.

Think money's a bit tighter out there than before.

We are going into a recession.

Confidence in their own business: Month-on-Month

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



Merchants' confidence in their own business has dropped to a still positive net +11%, month on month.

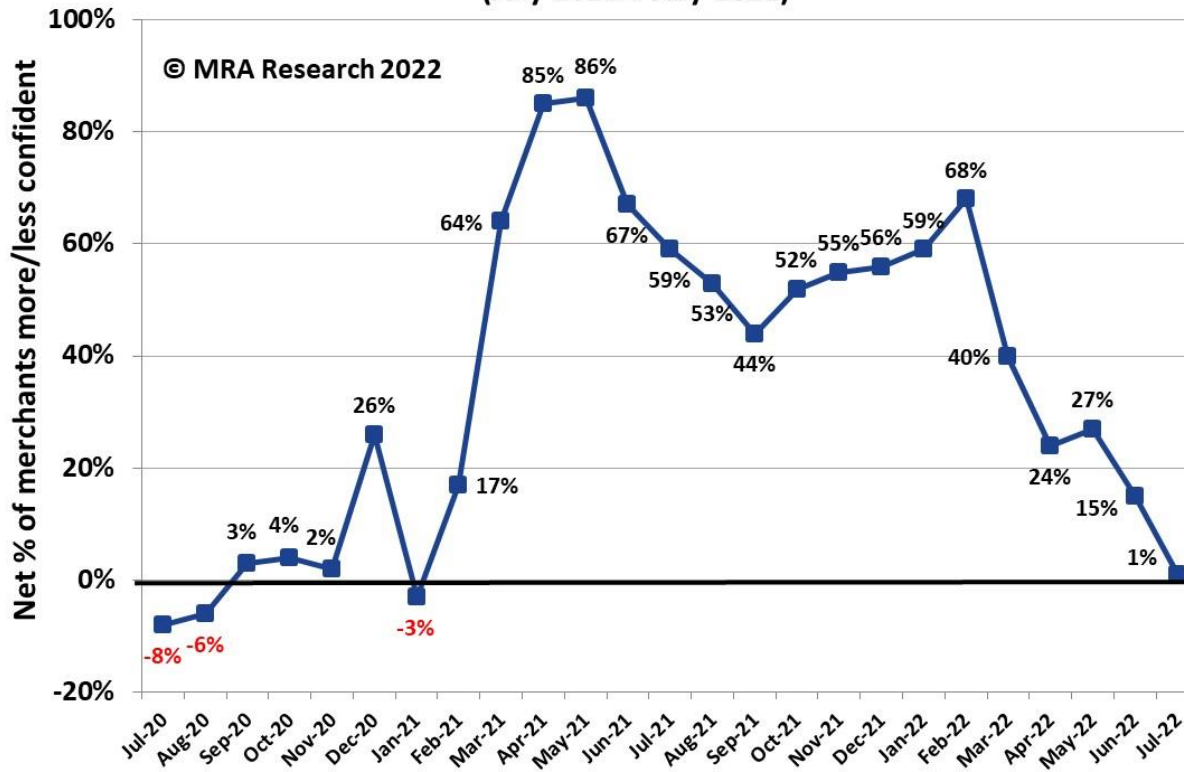
Confidence is strong among Small branches (+17%) and Mid-sized outlets size of branch (+30%), particularly in the North (+43%).

Scotland (0%) and Independents (-5%) have less 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, 30% of merchants interviewed are more confident against 19% who are less confident. The net figure is +11% more confident.

Confidence in their own business: Year-on-Year

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



Merchants' confidence in their own business continues to decline Year-on-Year to a just positive net +1%.

Mid-sized outlets (+5%) are more confident than Large outlets (-11%).

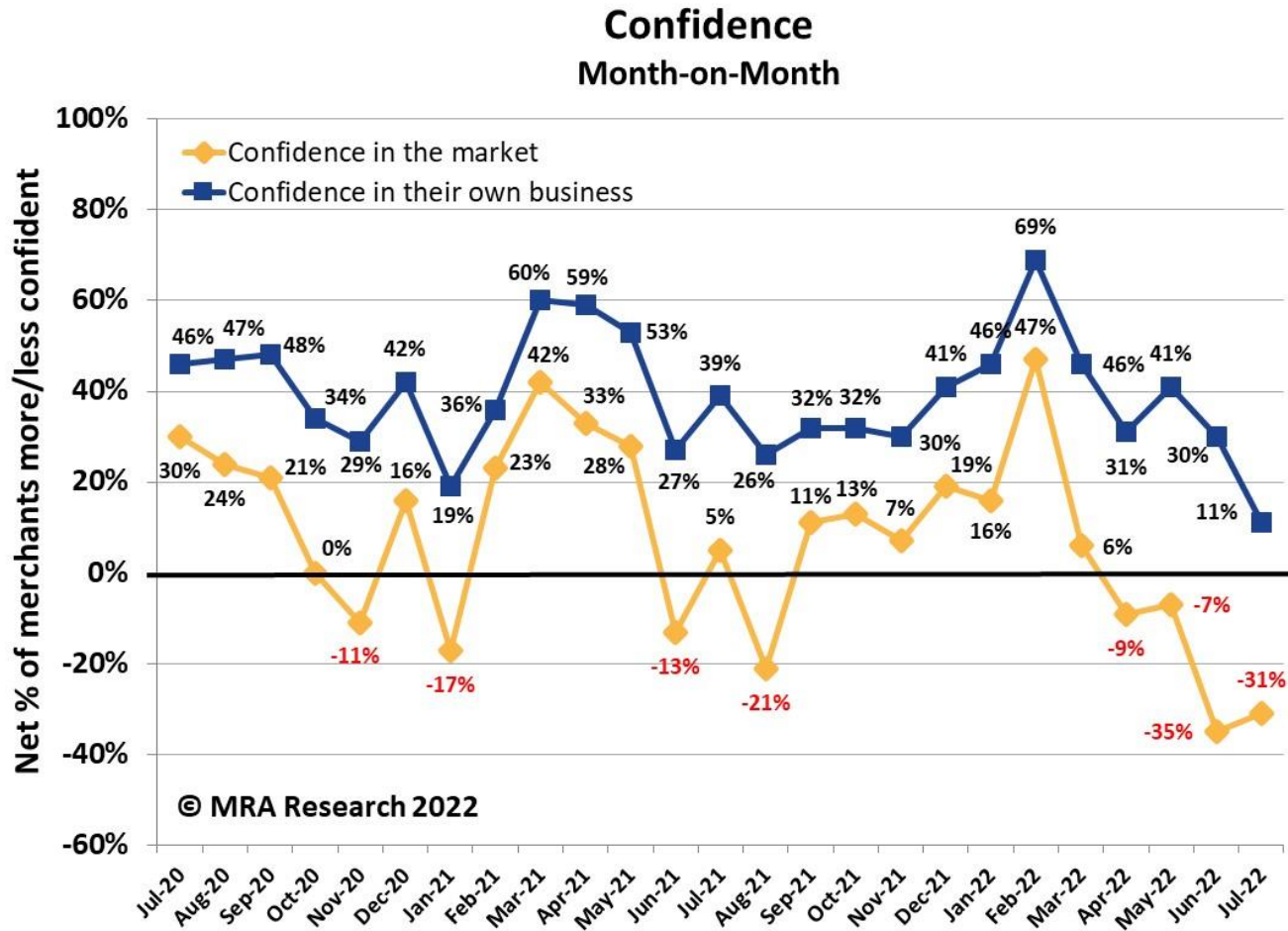
Merchants in the Midlands (+38%) are most confident. The North are least confident (-14%).

The contrast between Nationals and Independents is stark, with Nationals more confident (+19%) and Independents not (-40%).

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, 36% of merchants interviewed are more confident against 35% who are less confident. The net figure is +1% more confident.

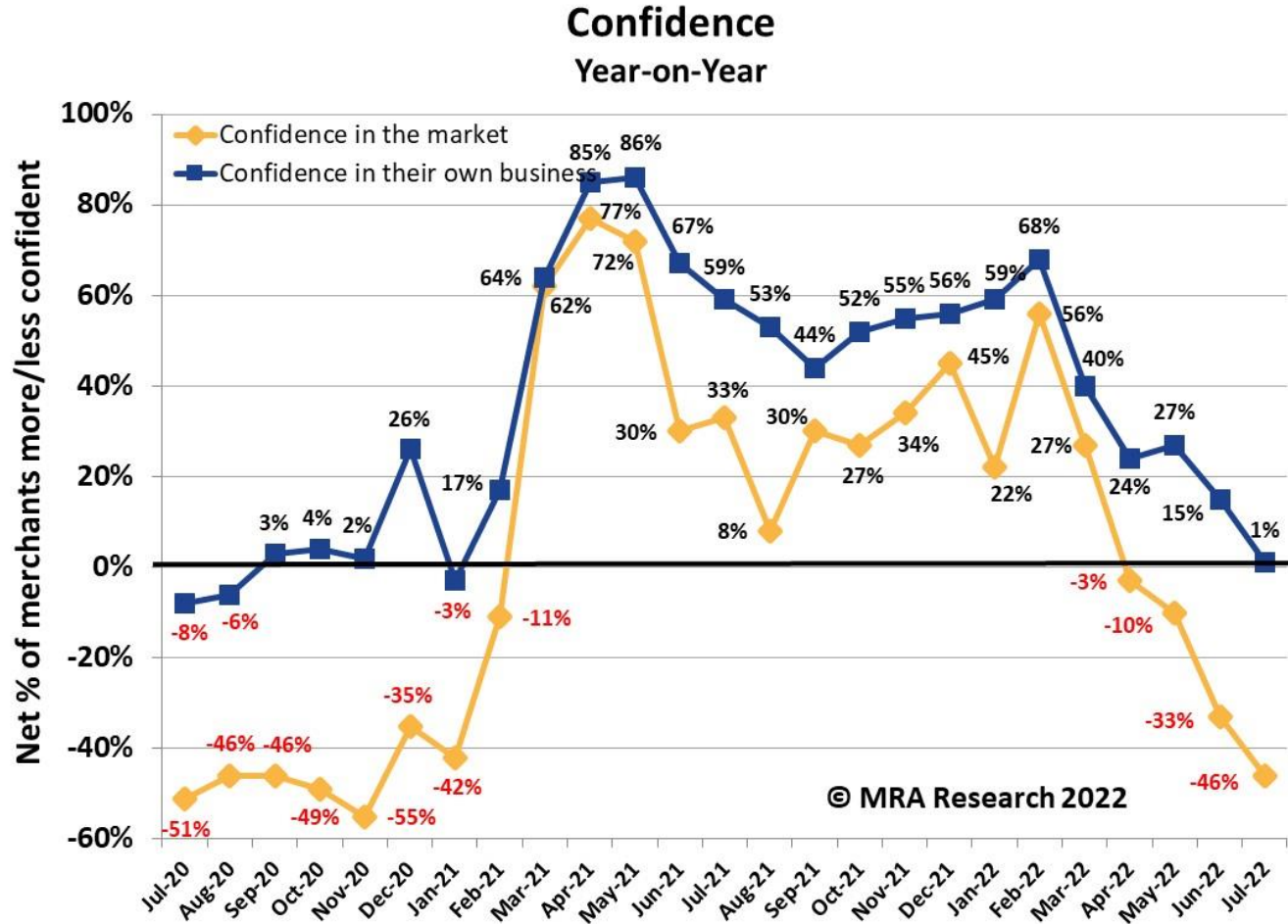
Confidence in the market v own business

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 5th July 2022 (3 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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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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