



October 2022

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

Overview

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Economic and political uncertainty provides a strong headwind.

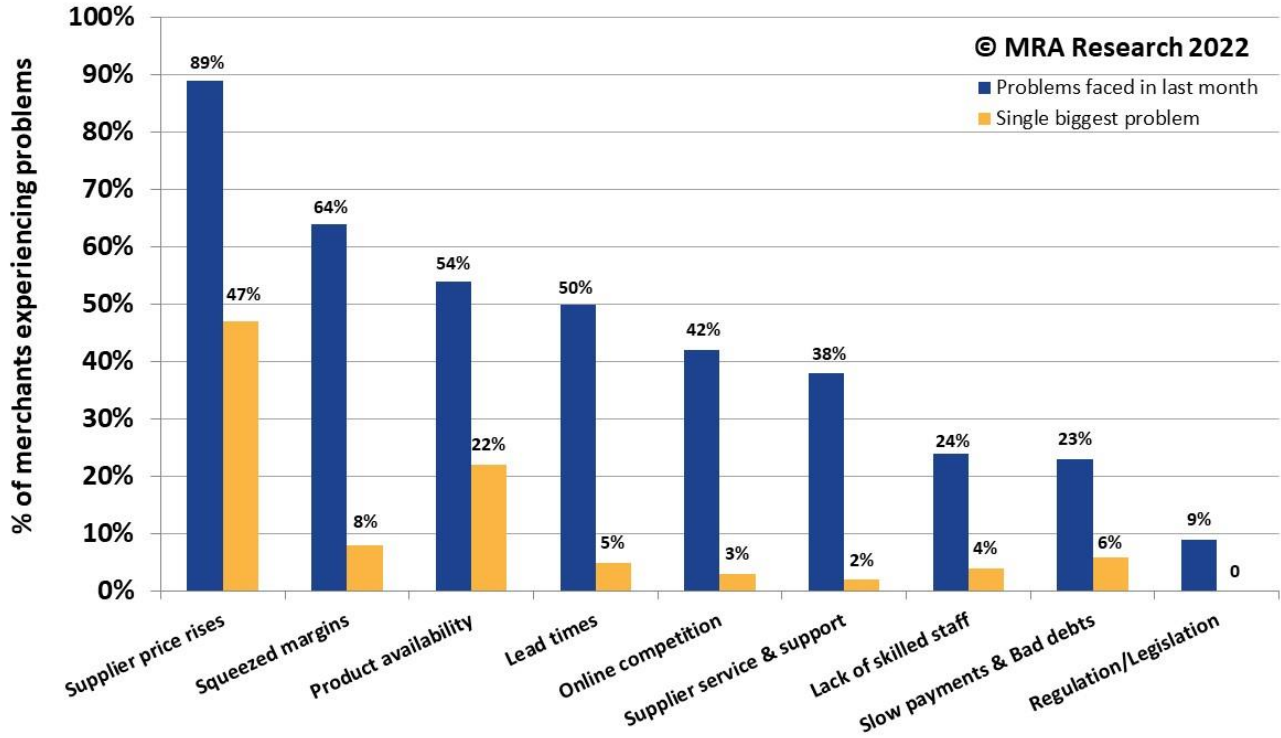
While sales expectations for October recovered compared to last year, and merchants' confidence in their own business also improved year on year, their confidence in the market continued to slide, no doubt undermined by recent economic and political turbulence.

Given the turbulence, The Pulse asked merchants what they thought of the mini-budget, and how confident were they in the new Prime Minister and Chancellor on a scale of 1 to 10. Not very was the answer, with three out of 10 merchants rating them one out of 10. In Scotland, it was worse, with six in ten merchants giving them a thumbs down of one out of 10 (see slides 5 and 6).

The Pulse, by MRA Research, is a monthly tracking survey of merchants' confidence and prospects. Telephone interviewing took place between 3rd and 6th October 2022 (4 working days).

Problems faced by business in the last month

Problems faced by merchants in the last month



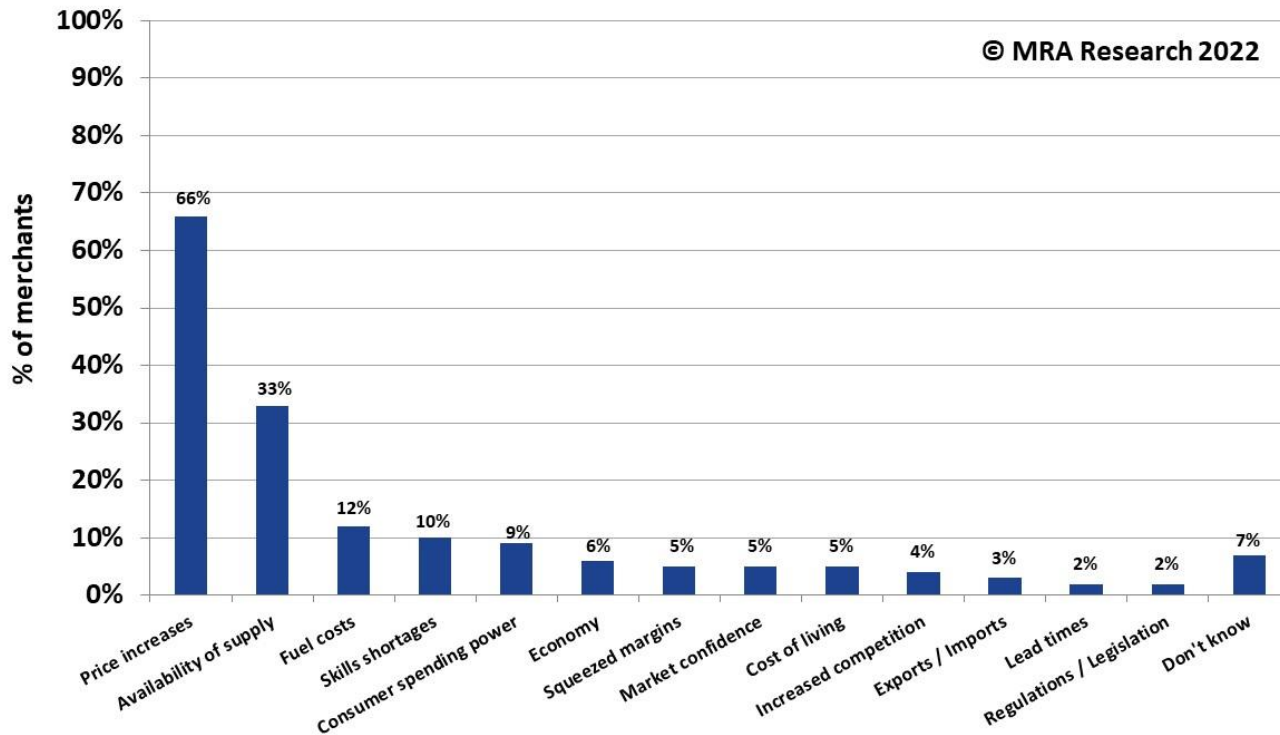
Merchants continue to face many problems in a difficult trading environment.

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

Product availability is an issue for almost a quarter (22%) of merchants.

The most important challenges for the construction industry today

The most important challenges for the construction industry today

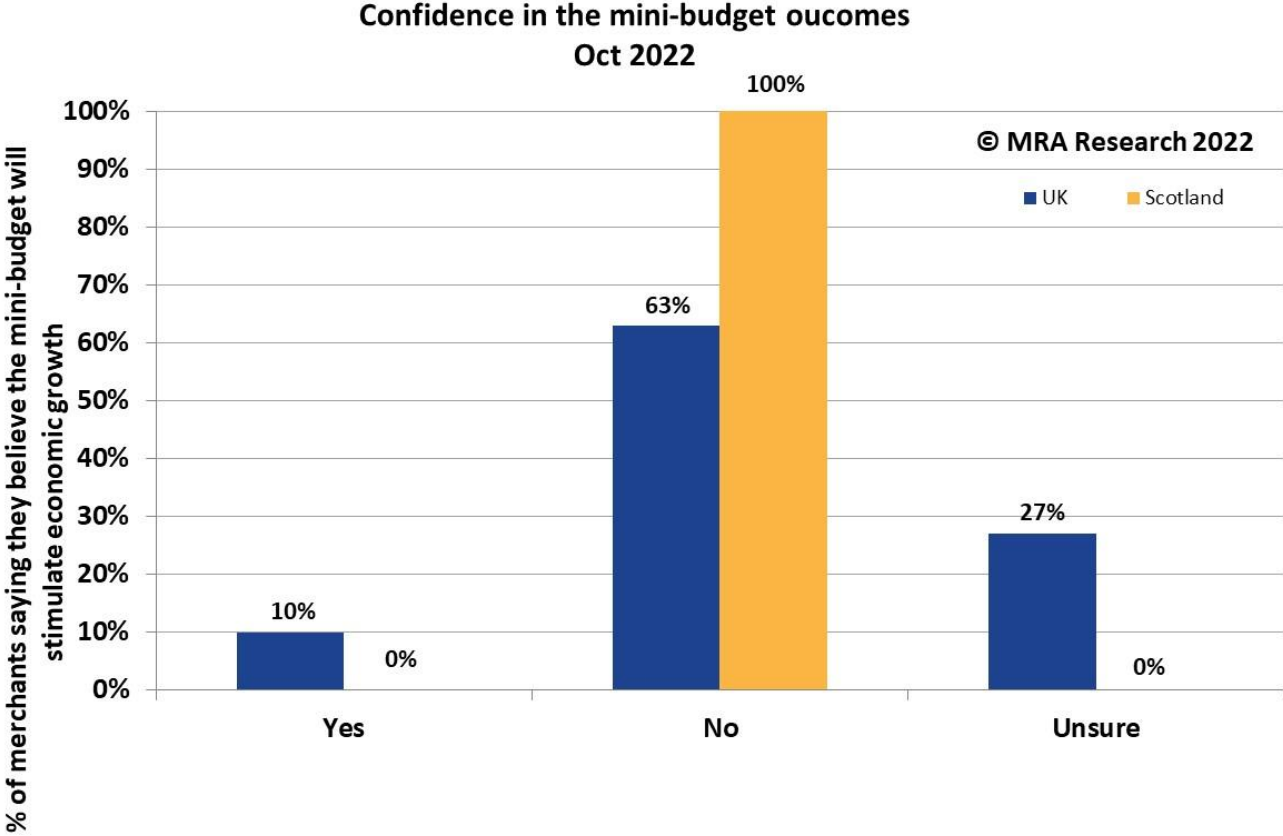


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Price increases (66%) and supply availability (33%) are the most important challenges for construction.

Fuel costs (12%), skills shortages (10%) and reduction in consumer spending power (9%) are important challenges for around 1 in 10 merchants.

Confidence in the mini-budget outcomes

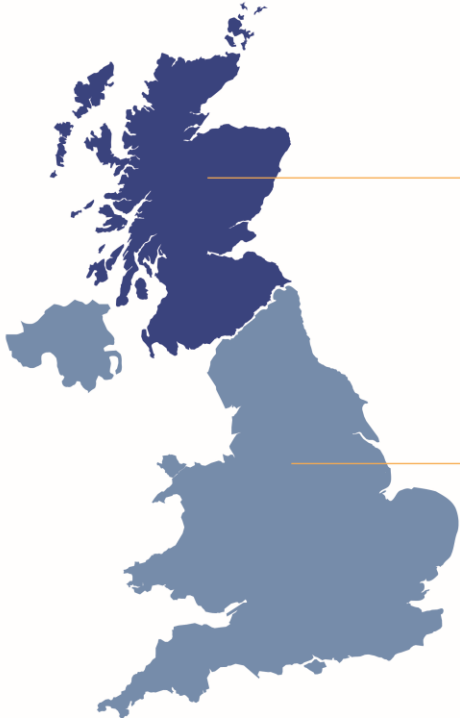


On the 23 September 2022, the Prime Minister Liz Truss, and Chancellor of the Exchequer Kwasi Kwarteng announced a set of economic policies widely referred to in the media as a "mini-budget".

Two-thirds of Merchants across the UK (63%), and all in Scotland (100%), did not believe the policies would stimulate economic growth. Only 1 in 10 (10%) were confident; the rest were unsure (27%).

Confidence in the PM & Chancellor

On a scale of 1 to 10, where 10 is the best score you can give and 1 the worst, how would you rate the performance of the PM Liz Truss and the Chancellor Kwasi Kwarteng so far?



Scotland
Average Score 2
No one gave a score above 3



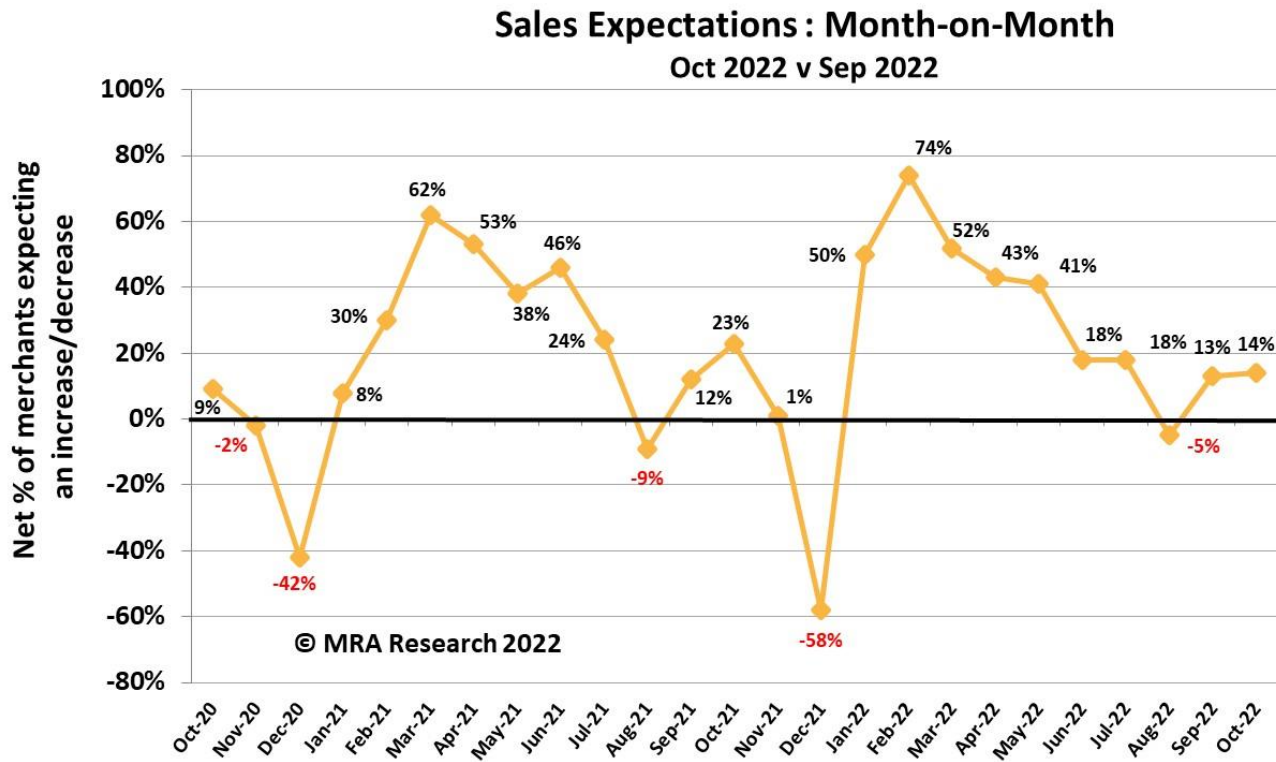
UK
Average Score 3
No one gave a score above 8

Merchants scored the new Prime Minister and Chancellor on a scale of 1 to 10.

Three out of 10 rated them the lowest score of 1.

In Scotland, it was worse, with six in ten merchants (62%) giving them a score of one out of ten and no one scored them higher than 3.

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



Despite the uncertainty of the trading environment merchants' expectations for October sales remain stable at a net +14%.

All types of outlet and particularly Small branches (+26%) expect sales to increase.

Nationals (+17%) and Regionals (+22%) expect sales to grow.

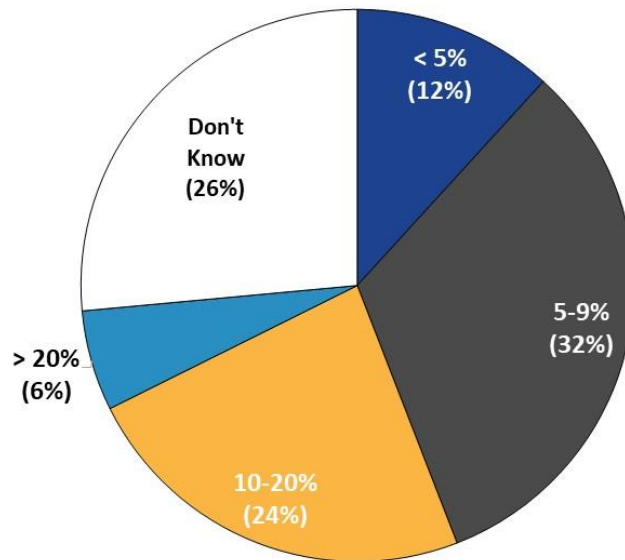
But Independents (-11%) and merchants in the North (-5%) expect sales to reduce.

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 20% who expect a decline. The net figure is +14% expecting growth.

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

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Sales Expectations: % Increase
Oct 2022 v Sep 2022



Of those expecting sales to increase in October, 44% expect sales to grow by less than 10% compared with September.

Almost a quarter (24%) expect sales to increase between 10 and 20% compared with September and a further 6% expect sales to build by more than that.

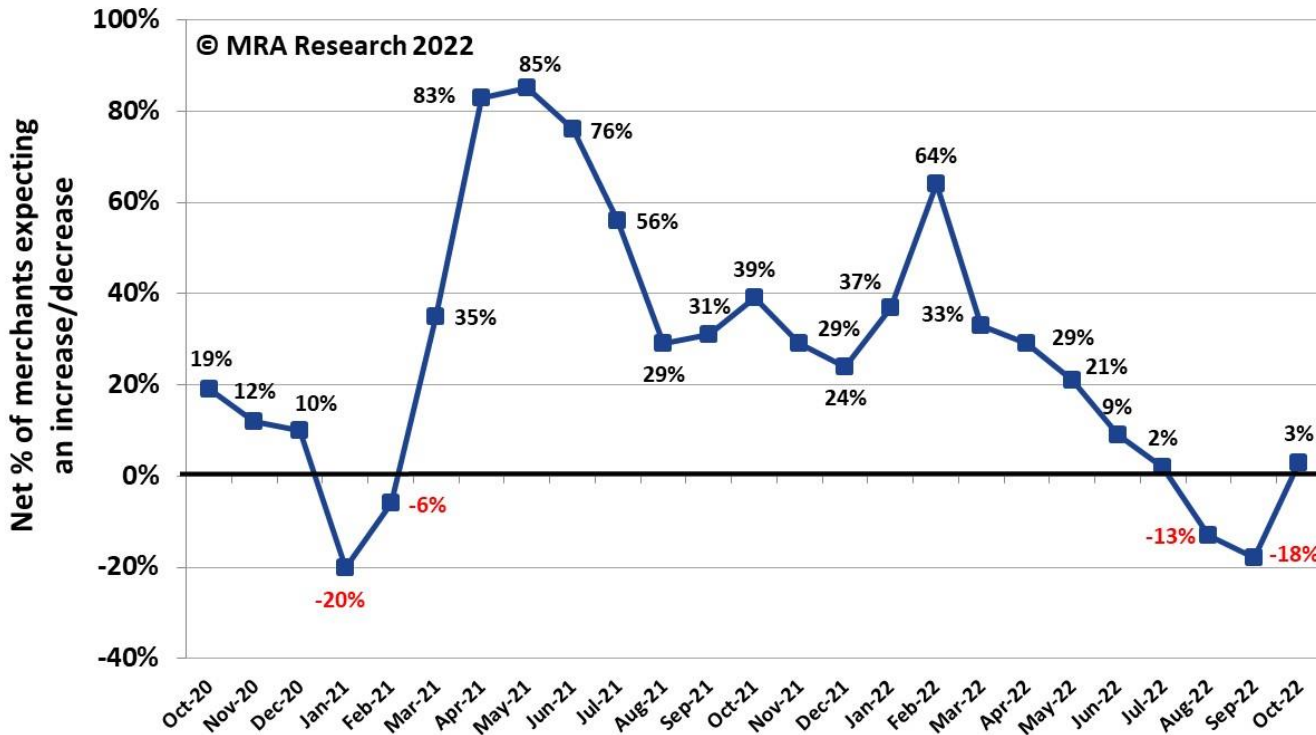
A quarter of merchants (26%), a high proportion compared with previous surveys, did not know.

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Base: 34

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

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



Sales expectations for October, compared to October last year, recovered to a net +3% - the first increase since January 2022.

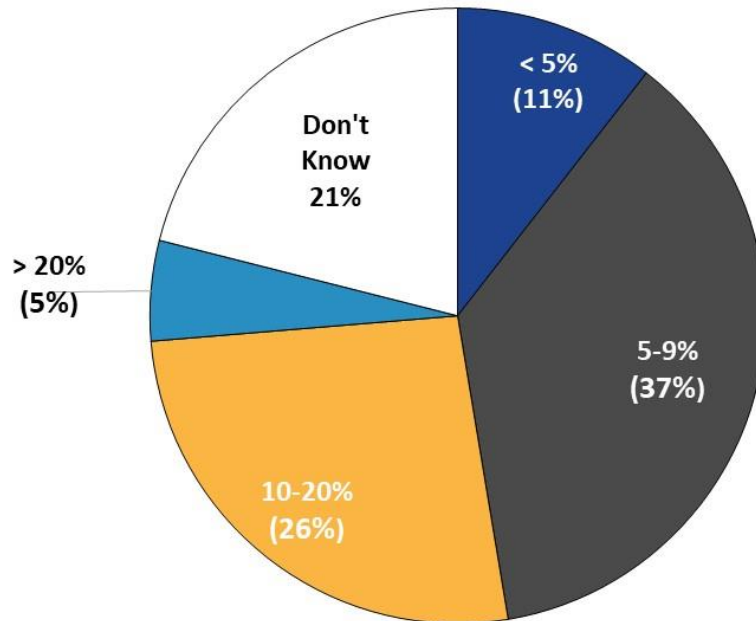
Merchants in the South (+8%) and Midlands (+4%) expect sales to increase. Sales are expected to decrease in the North (-5%).

Regionals (+12%) and Nationals(+5%) expect growth. But Independent Merchants (-22%) expect sales to drop.

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, 38% of merchants interviewed expect growth against 35% who expect a decline. The net figure is +3% expecting growth.

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

Sales Expectations: % Increase
Oct 2022 v Oct 2021



Just over 1 in 10 (11%) of those expecting sales to increase in October, compared to the same month in 2021, expect an increase of less than 5%.

A further 37% expect sales to improve by 5-9%.

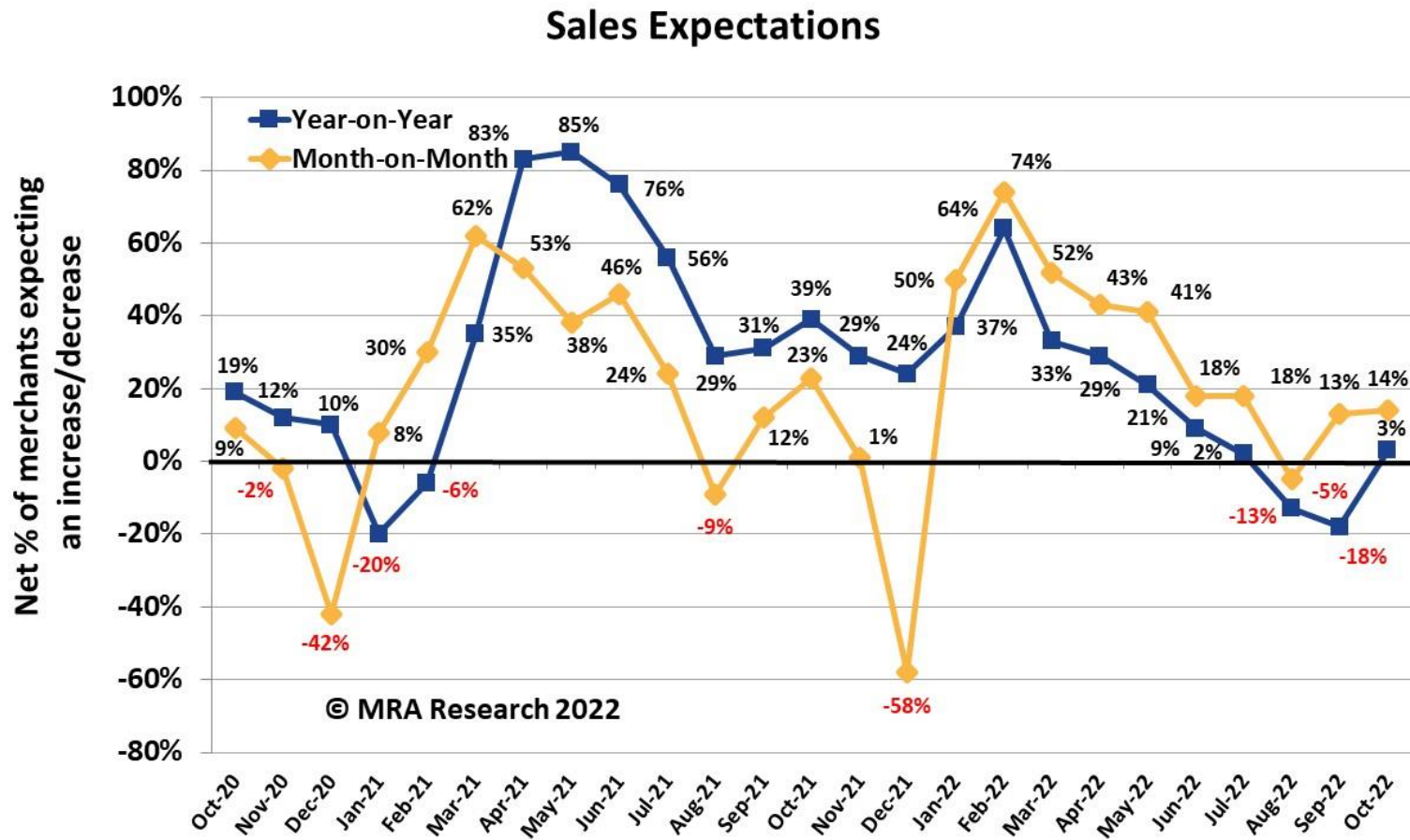
But nearly a third (31%) expect sales to increase by 10% or more.

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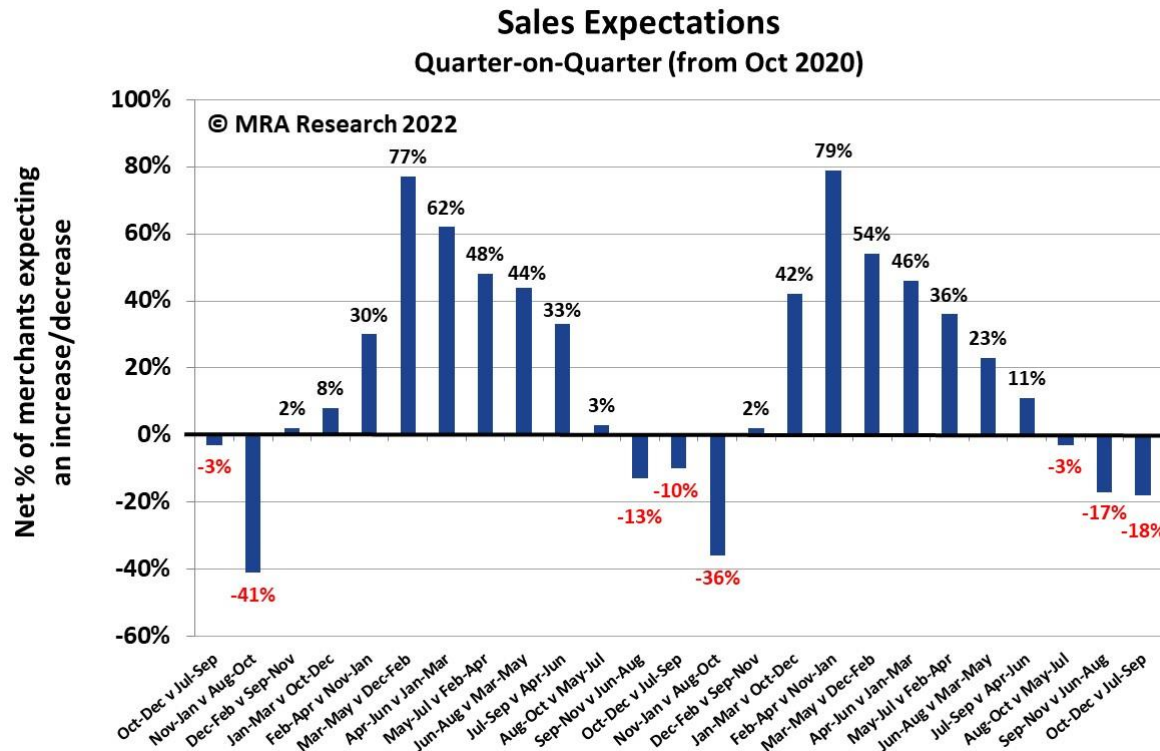
Base: 38

Sales Expectations

Month-on-Month v Year-on-Year



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



Quarter-on-quarter expectations weakened slightly to a net -18%.

Expectations are particularly weak in Mid-sized outlets (-37%) and in the North (-42%).

All types of merchants expect sales to drop: Nationals (-27%), Regionals (-12%), Independents (-11%).

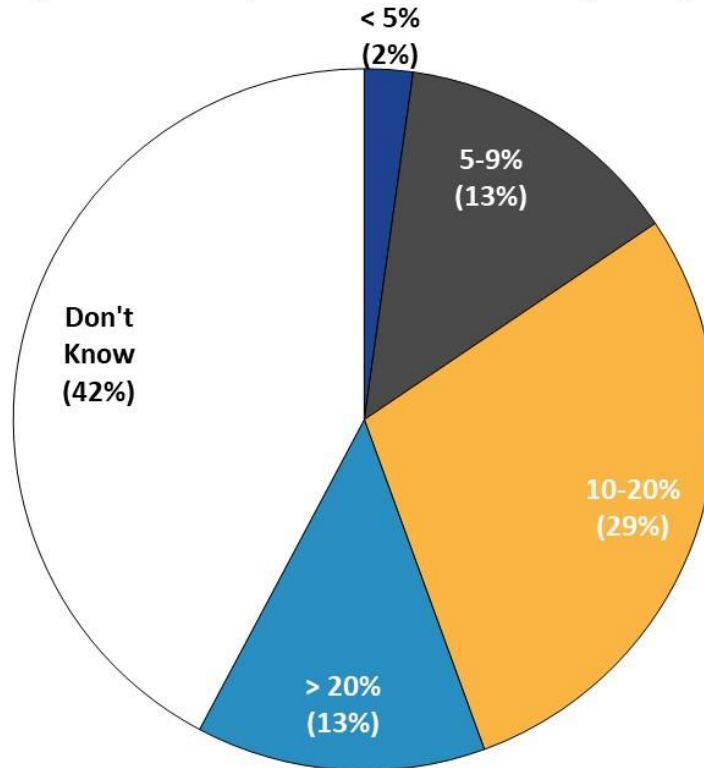
Net figure: The difference between the percentage of merchants expecting growth and those expecting a decrease is the net figure, expressed as a percentage. A positive net percentage indicates growth, a negative indicates decline. Net zero implies no change. For this chart, 27% of merchants interviewed expect growth against 45% who expect a decline. The net figure is -18% expecting decline.

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

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Sales Expectations: % Decrease

Next 3 months (Oct-Dec 2022) v Previous 3 months (Jul-Sep 2022)



Reflecting an increase in market uncertainty, four in ten merchants (42%) who expect sales to fall are unable to say how much sales will decline.

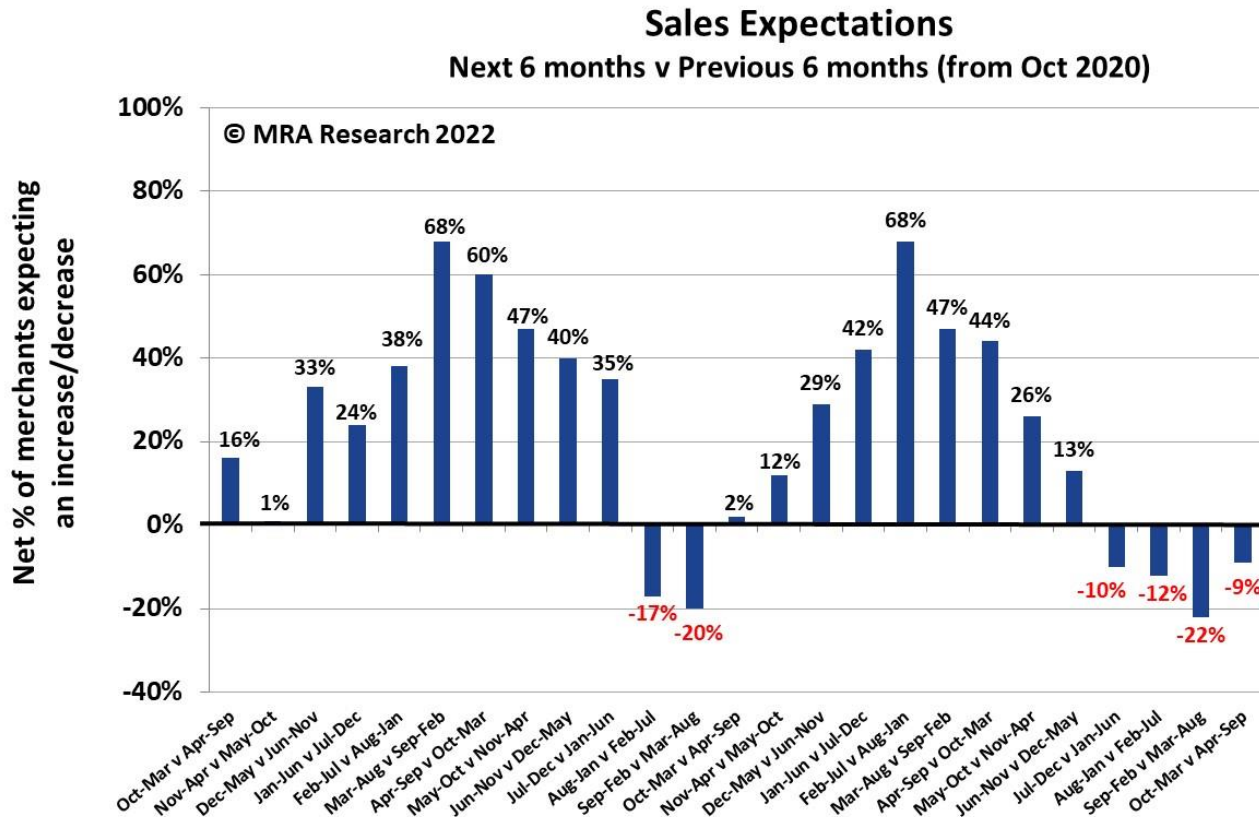
15% of the merchants who expect sales to decline in the next three months, expect them to fall by up to 10%.

29% expect them to decline by 10 to 20%, and 13% expect a drop in sales of more than that.

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Base: 45

Sales Expectations: Next six months...1



Looking six months ahead, sales expectations have improved from last month but still a net -9% of merchants expect sales to decline in the six months October 2022 to March 2023 compared to the previous six months.

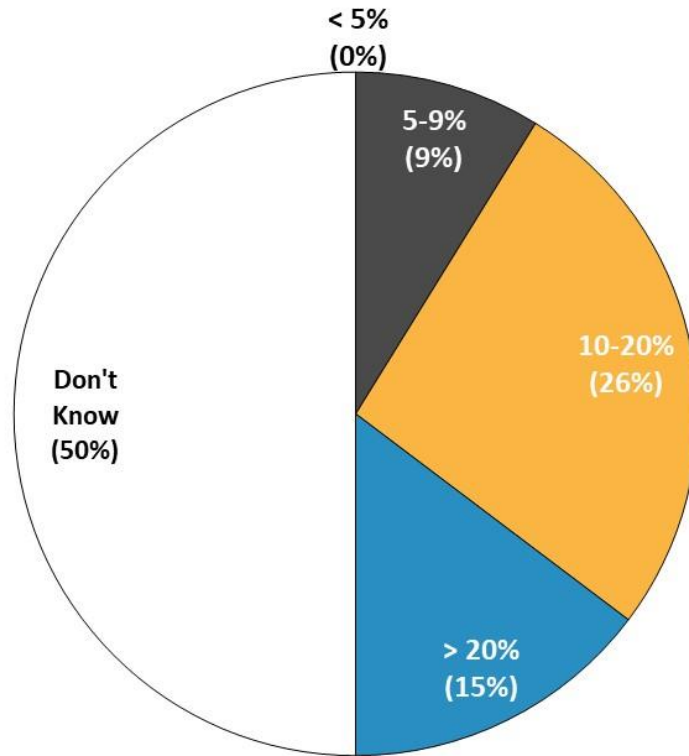
A drop in sales is expected across all sizes of outlet.

Nationals (-17%) and Regionals (-5%) expect sales to contract. Independents are more balanced in their expectations (a net 0%).

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, 25% of merchants interviewed expect growth against 34% who expect a decline. The net figure is -9% expecting decline.

Sales Expectations: Next six months...2

Sales Expectations: % Decrease
Next 6 months (Oct 2022-Mar 2023) v Previous 6 months (Apr-Sep 2022)

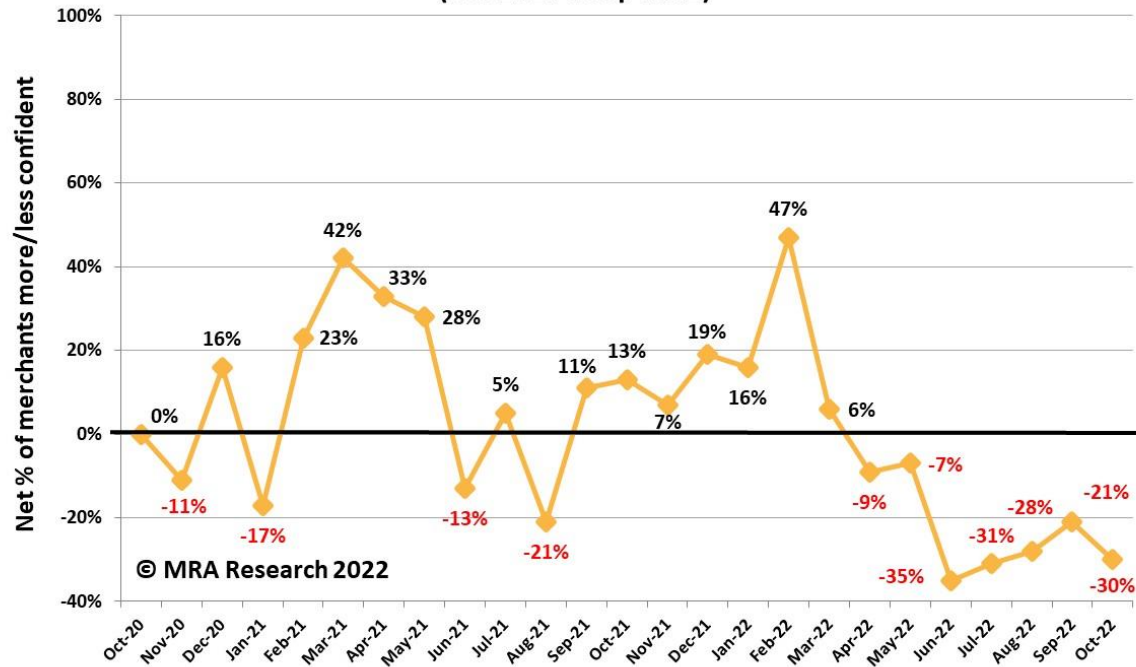


Only half of merchants expecting sales to contract in the next six months can say by how much.

One in ten expect a small decrease of 5-9%, a quarter (26%) expect a drop of between 10 to 20%. 15% expect a drop of more than 20%.

Confidence in the market: Month-on-Month

Confidence in the market: Month-on-Month (Oct 2022 v Sep 2022)



A net -30% of merchants are less confident in the market now than in September.

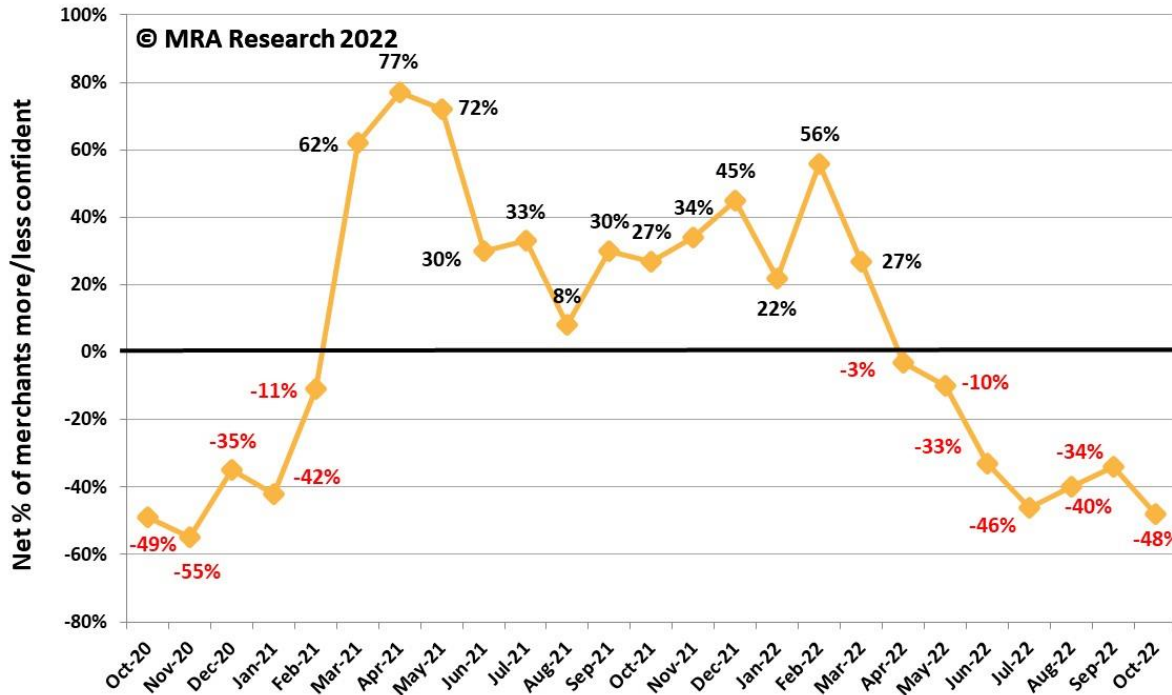
Confidence in the market is weak across all regions and types of merchant.

Small branches (-35%) and Mid-sized outlets (-35%) are the least confident. Large outlets are more balanced in the prospects for the market (a net 0%).

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, 14% of merchants interviewed are more confident against 44% who are less confident. The net figure is -40% less confident.

Confidence in the market: Year-on-Year

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



Confidence in the market has dropped markedly year-on-year to a net -48% of merchants less confident in the market at the start of October than they were in October 2021.

Confidence dropped across all sizes of outlet, regions and types of merchant.

Small branches (-58%), Merchants in the South (-61%) and the Midlands (-50%) are 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, 12% of merchants interviewed are more confident against 60% who are less confident. The net figure is -48% less confident.

Confidence in the market:

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

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

Basically, because what's happening with the government and everything else, people are repairing rather than renewing, we have seen that already, we also sell wood burners and we have had a 40% increase in sales of them.

Because pricing has come down slightly, our builders have got lots of work planned in for next year.

Big loss last year, turn corner this year.

Just the way things are at the moment, Covid has gone off the radar and people are more happy for you to go in their properties.

Prices are levelling out, last year they were up and down.

Prices seem to be slowly levelling out and things are stabilising.

Things are better.

Things seems to be more black and white in terms of where we are as a company.

We seem to have better availability at the minute, but that might change.

Well, there was so much uncertainty last year with the pandemic . I know we have other uncertainties now, but I think the only way is up , so I feel more positive.

We're the only place that stayed open throughout Covid, we have a good customer base.

Confidence in the market:

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

19

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

Because everything is so expensive.

Because of the increase in energy prices.

Because of the situation we are currently in, it all has a knock-on effect.

Because of the way the world is going we are in a recession, it is going from bad to worse.

Because the countries on its ass.

Change of government and all the instability of the last few months.

Changes ongoing, cost of energy is causes issues across the board.

Consumer confidence.

Cost inflation for customers.

Cost of living.

Cost of living.

Cost of living and current market instability.

Cost of living and product price increases.

Cost of living has increased.

Cost of living is increasing massively.

Cost of living/ At branch level customers will cut back on spending (home extension), larger government building projects will continue.

Cost of living/ market slowing down/ higher prices.

Energy bills, interest rates.

Everything going on at the minute, rely on house sales and if they are pulling mortgages no houses will be built.

Everything is impacting the market at the moment, prices , costs , availability etc. this is because of many reasons , Brexit ,recovery from the pandemic , Ukraine crisis , cost of living etc. It was a big mistake to leave Europe and the market is reflecting that.

Everything that's gone on, the war, change of government etc

High product prices, cost of living.

I am less confident because of all the issues in the world like inflation, cost of living , energy prices and the mortgage price rise. I feel the mortgage price rise will have a knock-on effect on our industry.

Inflation.

Interest rates which are effecting people buying, will effect the actual builders too, more competition.

It's just the current measures in place for everyone.

It's not looking good.

It's so quiet, no one has any money, no one is spending, finding it across all branches.

Confidence in the market:

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

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Just because of the ongoing stuff with the current government and increasing prices.

Just because of the energy bills rising.

Just because of the impact the interest rates and cost of living going up, no one has any spare money to spend on building materials.

Just because of what's going on and what's in the news, I know you have to take it with a pinch of salt, but what you read scares you.

Just constant price fluctuations, used to be twice a year, now there's one every other month, hard to install confidence on customers.

Just cost of living, people are worried, we're still busy, but from our regular trade, 30% are feeling it, 40% are the same and other 20% or so have cancelled orders already.

Just with everything going on with the government, cost of living crisis, interest rates, mortgage rates, it's putting a strain on people, if you've got the choice of staying warm or building a conservatory, people are going to choose stay warm.

Just with global impact, Russia, Ukraine, cost of living.

Last year Covid was still an issue, but we were one of the few sites open, everyone was rearranging homes etc., now not so much, there's the political stuff and the war and everything.

Last year was an exceptionally good year.

Last year we were doing alright, now with the cost of living crisis and everything going on that's not so much the case.

Only because of energy bills and people's availability to spend.

Our biggest problem is supplier's and getting materials, getting harder.

Price increases.

Price increases.

Prices of everything going up again.

The state of the economy, the situation with the government, the national grid and Ukraine.

The way the world is at the moment, the soaring costs.

There are so many factors electric and gas price rises, supplies and the new prime minister who seems to have no control. This is coming from a Conservative voter!

There are so many things effecting the market, costs going up (particularly fuel costs), less money to spend and supply issues. There seems no end in sight.

There is definitely more uncertainty at the moment. Things don't look like they are stabilising. There is uncertainty with fuel costs, cost of living etc, there is no confidence to spend so people are being cautious.

There's a recession on the way, interest rates going up, less people doing building.

Think the instability of where we are as a country, pricing is impacting what customers spend.

Confidence in the market:

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

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Too many reasons, the economy.

Uncertain times.

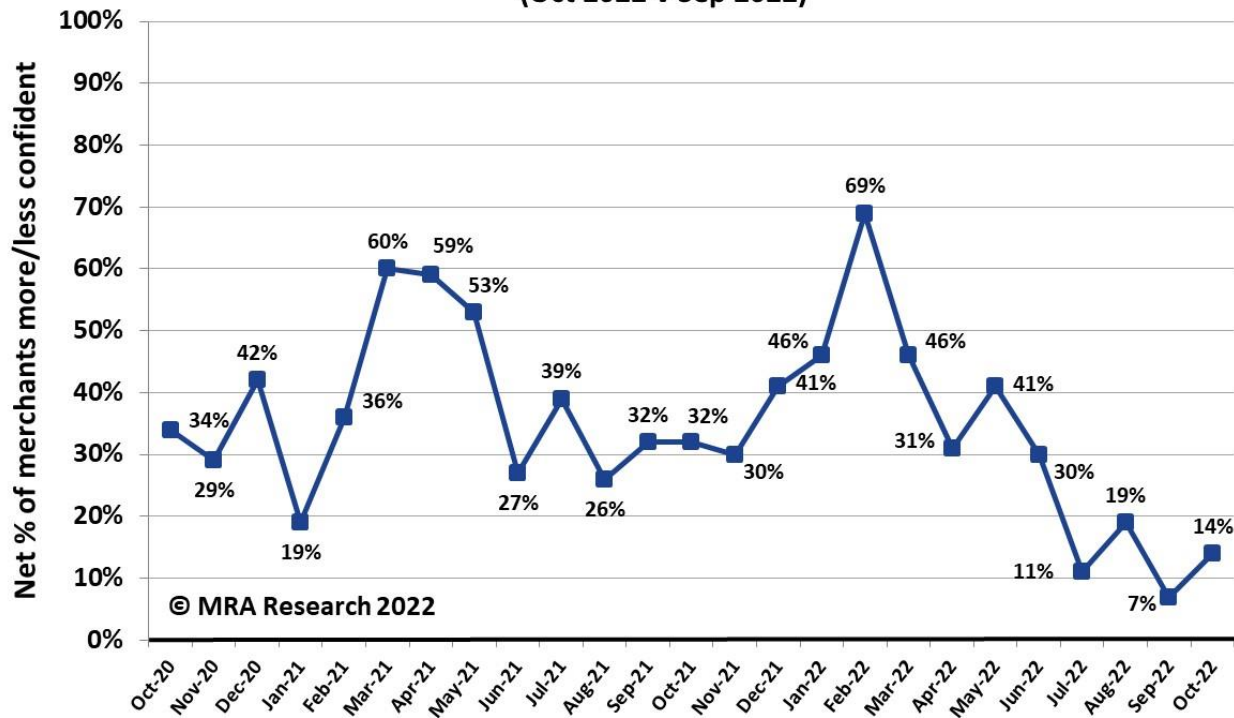
Uncertainty on tax breaks, government budgets.

Upcoming recession panic.

We seem to jump from one crisis to another in the industry there are still supply issues and cost increases. The cost of living is a real worry for people and there is a reluctance to spend . We are facing a world crisis.

Confidence in their own business: Month-on-Month

Confidence in their own business: Month-on-Month
(Oct 2022 v Sep 2022)



Merchants' confidence in their own business however has improved to a positive net +14%, month on month.

Confidence is strong among Small branches (+21%) and merchants in the North (+38%).

Confidence is weak in Scotland (-6%).

Independents (-6%) are less confident in the prospects for their own business than Nationals (+22%) and Regionals (+15%).

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, 26% of merchants interviewed are more confident against 12% who are less confident. The net figure is +14% more confident.

Confidence in their own business: Year-on-Year

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



Merchants' confidence in their own business has also strengthened Year-on-Year to a positive net +5%.

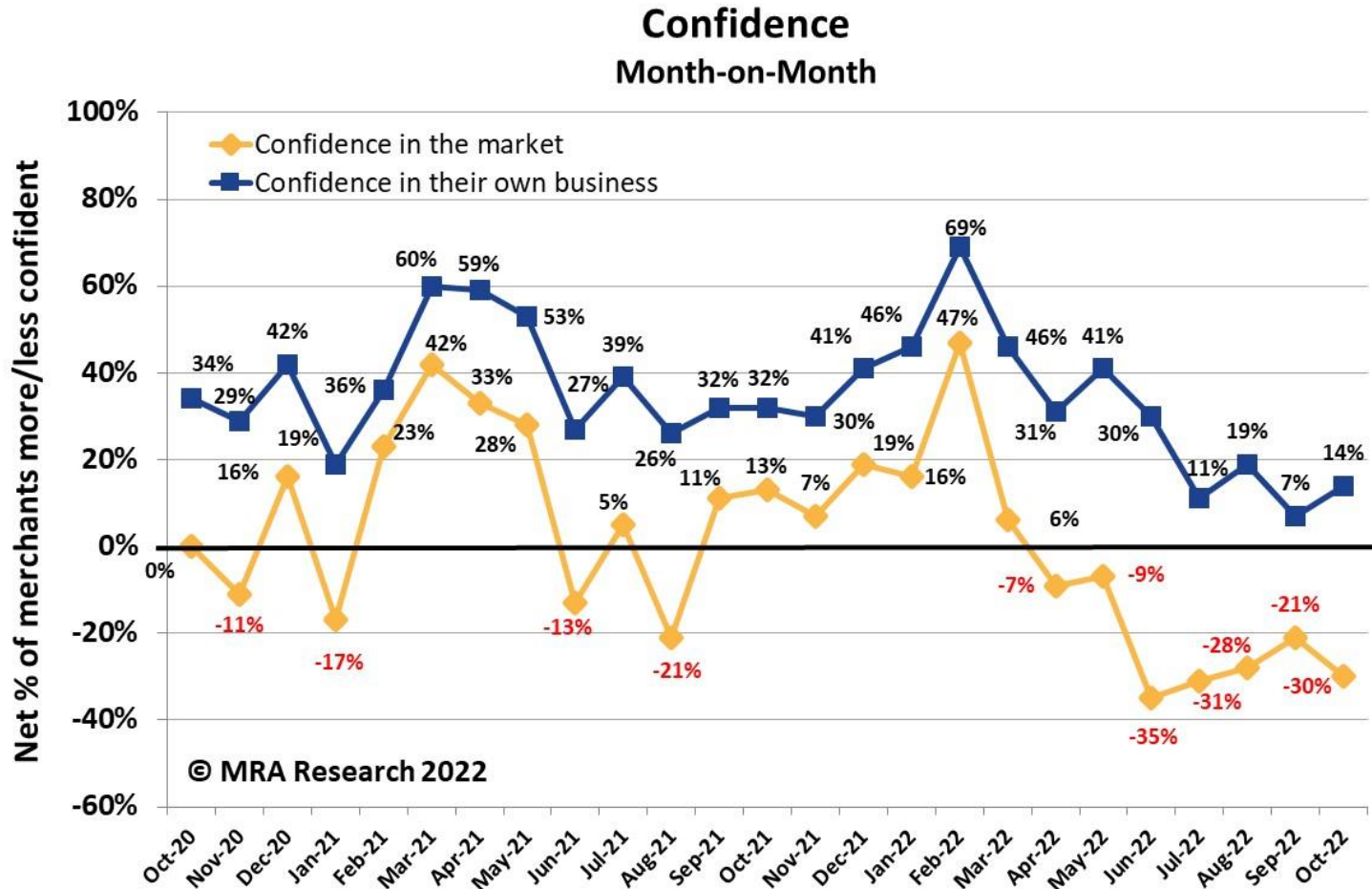
Small branches (+9%) and Large outlets (+14%) are confident but a net -2% of Mid-sized outlets are less confident in the prospects for their business than they were last year.

A net +21% of Merchants in the North are confident. Scotland is least confident (-6%).

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, 25% of merchants interviewed are more confident against 20% who are less confident. The net figure is +5% more confident.

Confidence in the market v own business

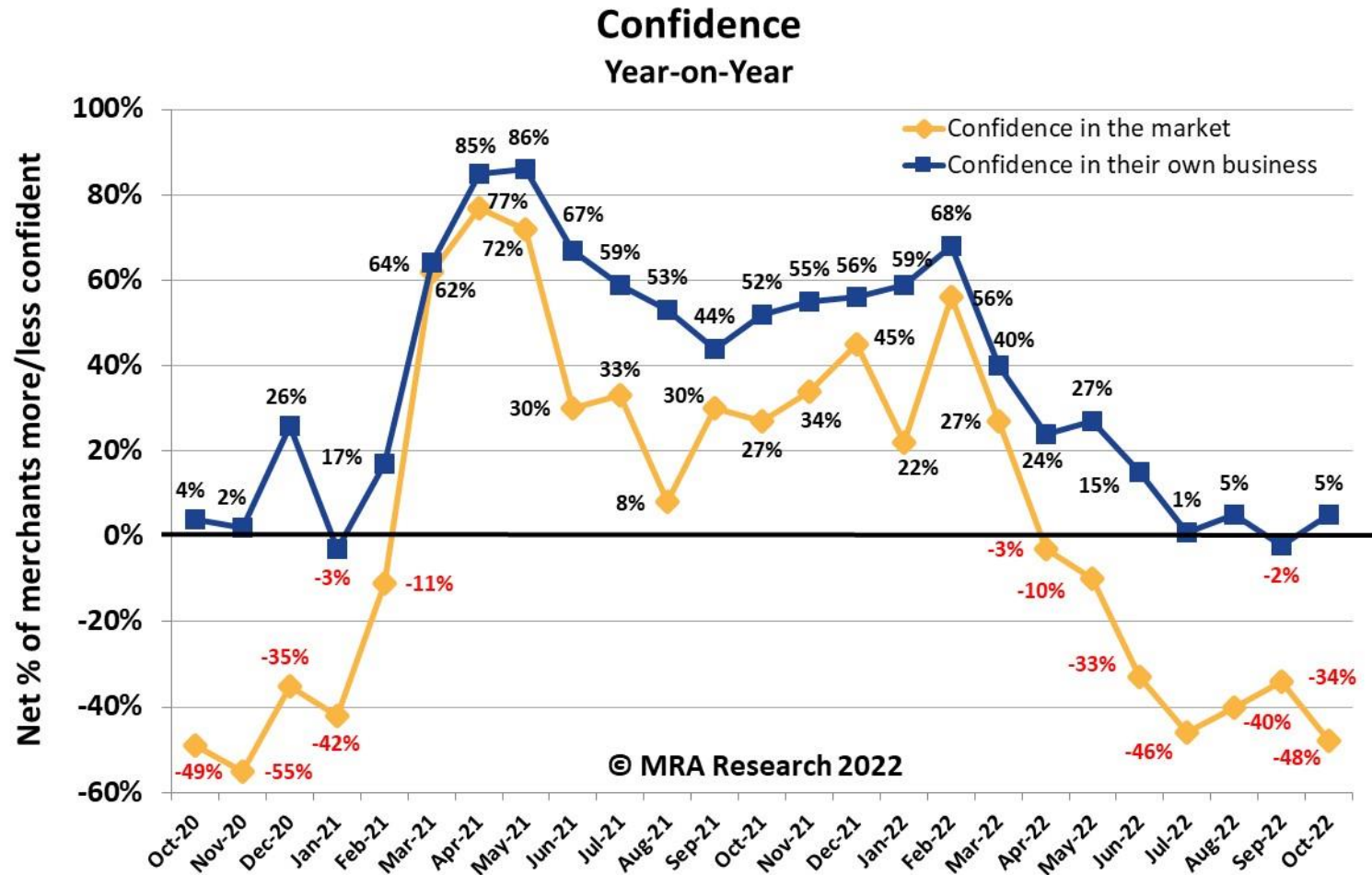
Month-on-Month



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 42nd in the series, with interviews conducted by MRA Research between 3rd and 6th October 2022 (4 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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