



December 2022

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

The Pulse: Overview

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Glimmers of hope for Builders' Merchants at the end of a difficult year

Sales expectations are weak partly because it's that time of year, but mainly because of the political turmoil and economic uncertainty. Price increases and the cost-of-living crisis weigh heavily.

Merchants' sales expectations are more positive for the next six months (Dec-21 to May-22), with greater confidence in the prospects for their own business than for the market.

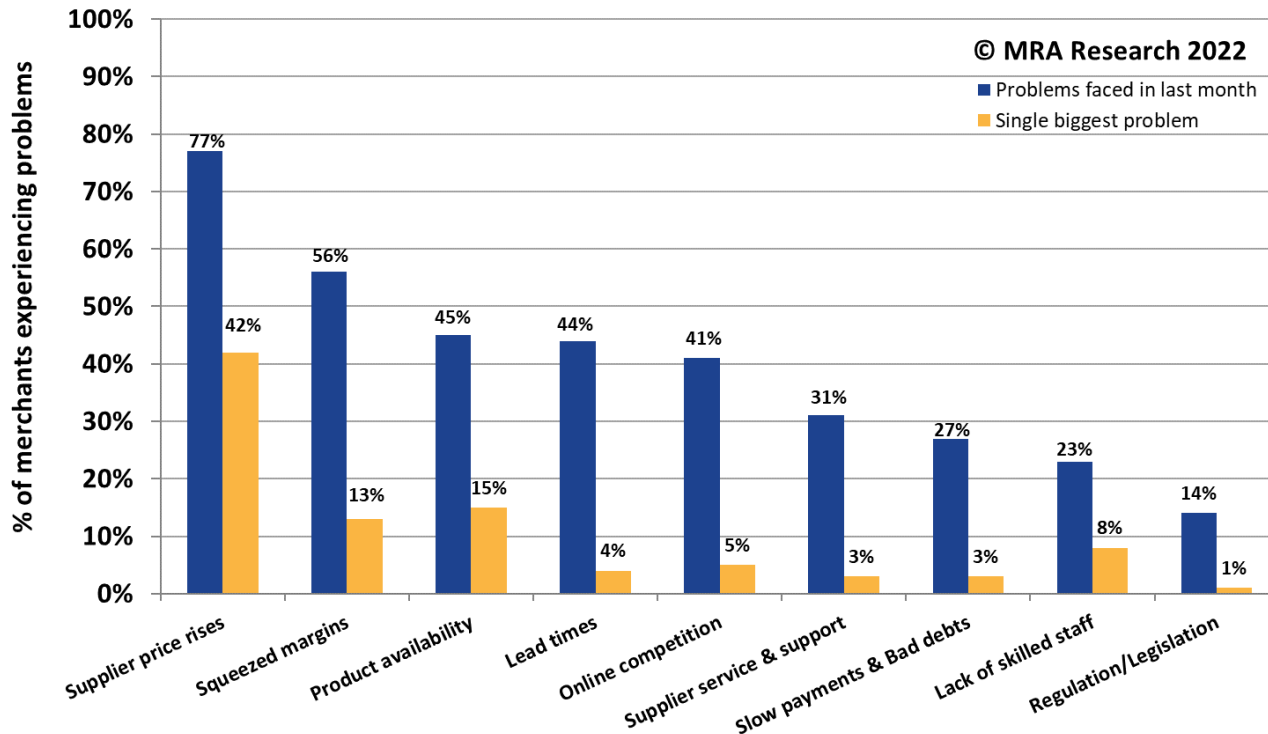
The Pulse, by MRA Research, is a monthly tracking survey of merchants' confidence and prospects. Telephone interviewing took place between 1st and 5th December 2022 (3 working days).

MRA Research has launched a new Builders' Merchants Omnibus Survey. Find out how you can benefit from the monthly survey on Pages 25-29.

Problems for merchants in the last month

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Problems faced by merchants in the last month



Supplier price increases are a problem for nearly 8 out of 10 merchants (77%). More than half (56%) mention Squeezed margins.

Supplier price rises are the single biggest problem for over 4 in 10 merchants (42%).

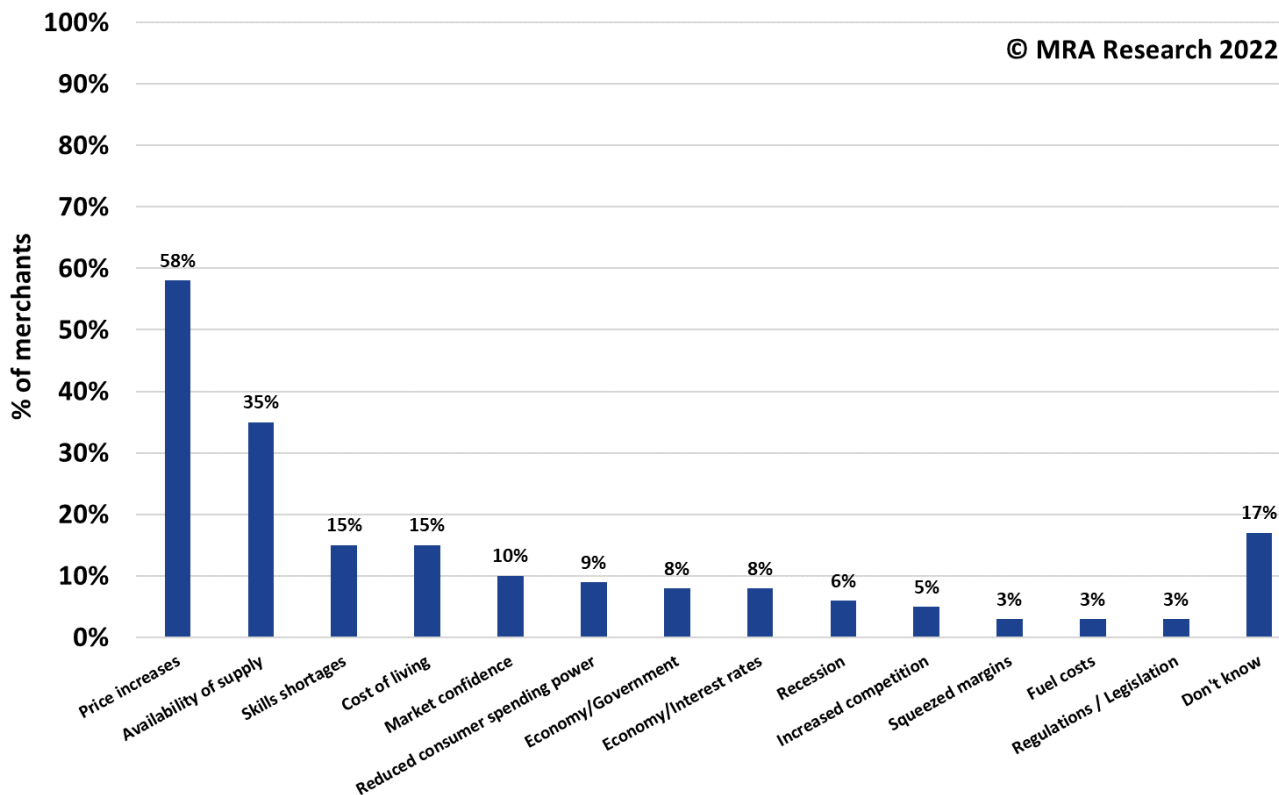
Over 1 in 10 say Squeezed margins (13%) are their single biggest problem.

And Product availability is the single biggest concern for 15% of merchants.

The most important challenges for construction today

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The most important challenges for the construction industry today

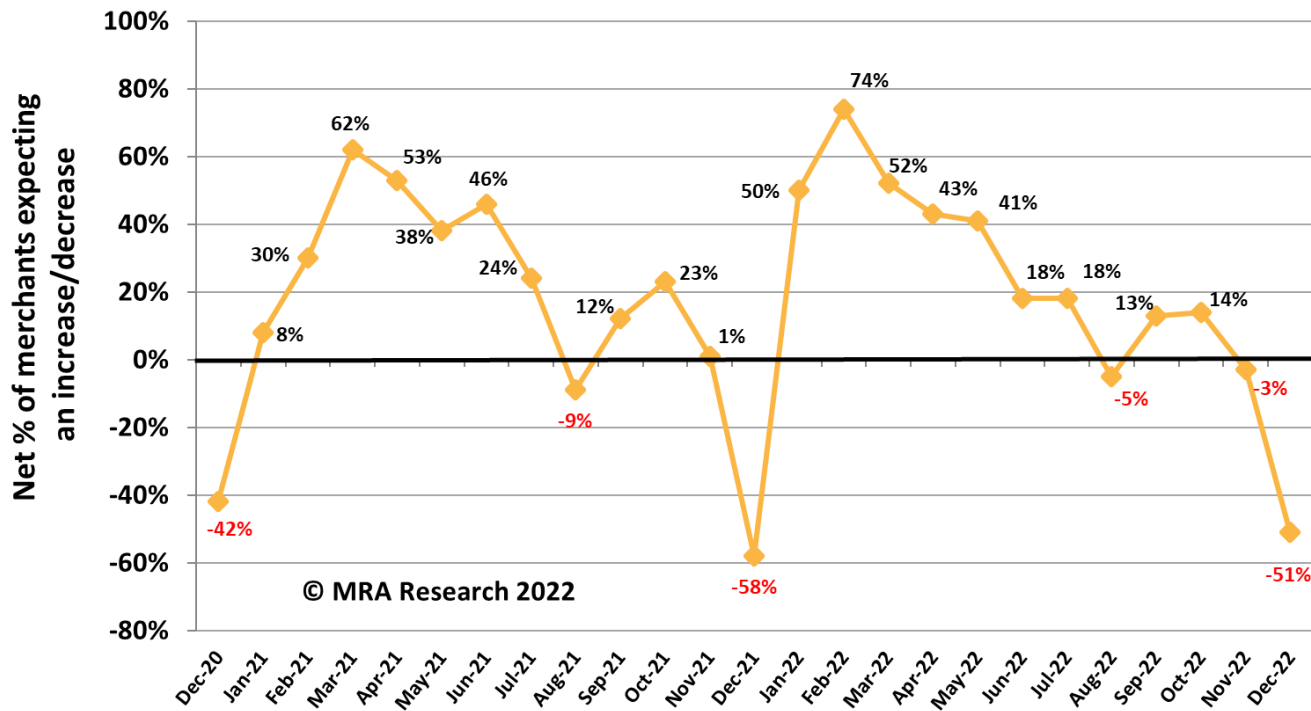


From a merchant perspective, price increases (58%) and supply availability (35%) are the most important challenges for construction.

Sales Expectations...1

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Sales Expectations : Month-on-Month
Dec 2022 v Nov 2022



Sales expectations dropped sharply in December compared to November (net -51%).

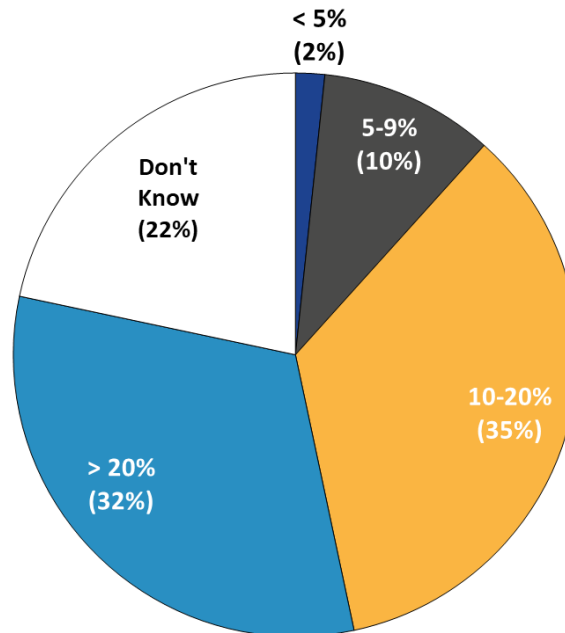
Expectations are weakest in Mid-sized outlets (-62%) and Independents (-59%).

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, 9% of merchants interviewed expect growth against 60% who expect a decline. The net figure is -51% expecting decline.

Sales Expectations...2

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Sales Expectations: % Decrease
Dec 2022 v Nov 2022



Nearly half (45%) of the merchants expecting sales to drop in December expect sales to slip by up to 20% compared with November.

A further third (32%) expect sales to drop by more than that.

More than 1 in 5 Merchants (22%) who expect sales to drop can't say how much of a fall they expect.

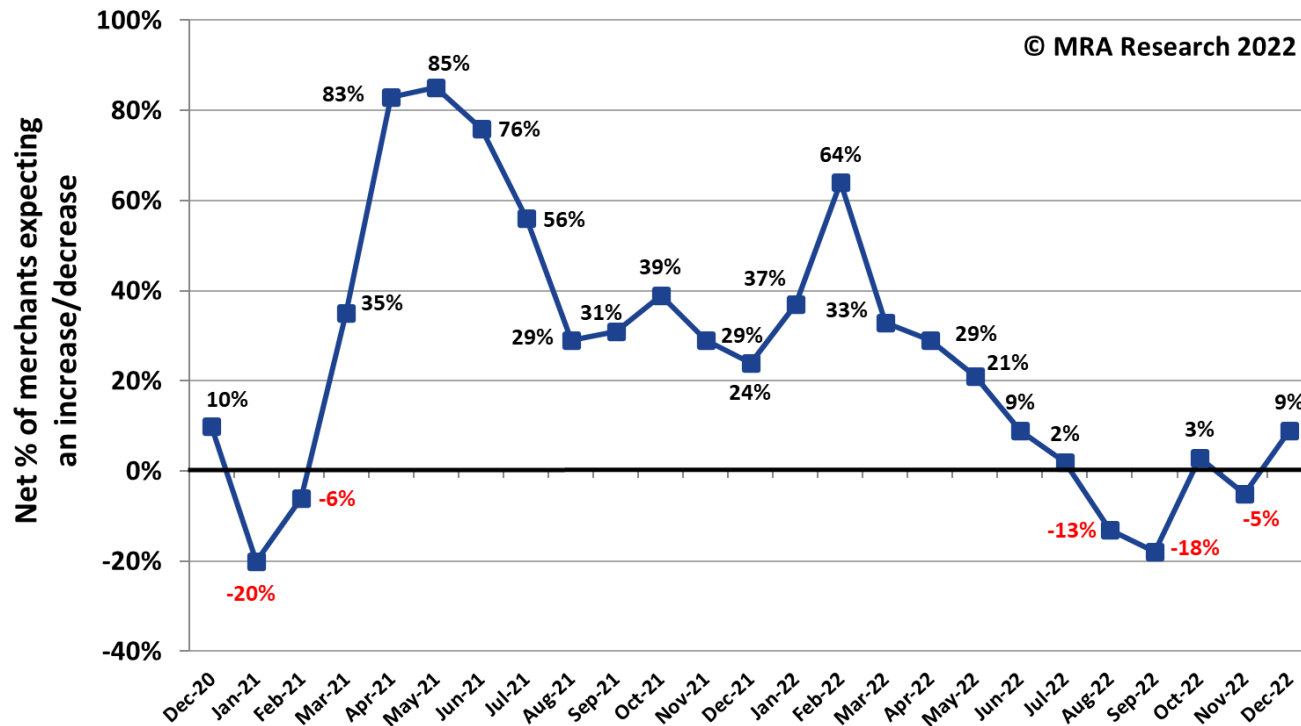
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Base: 60

Sales Expectations...3

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



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 25% who expect a decline. The net figure is 9% expecting growth.

December's sales expectations, compared to December last year, lifted to a net +9%, having dropped to a negative -5% in November.

All types of Merchant expect sales to increase year-on-year.

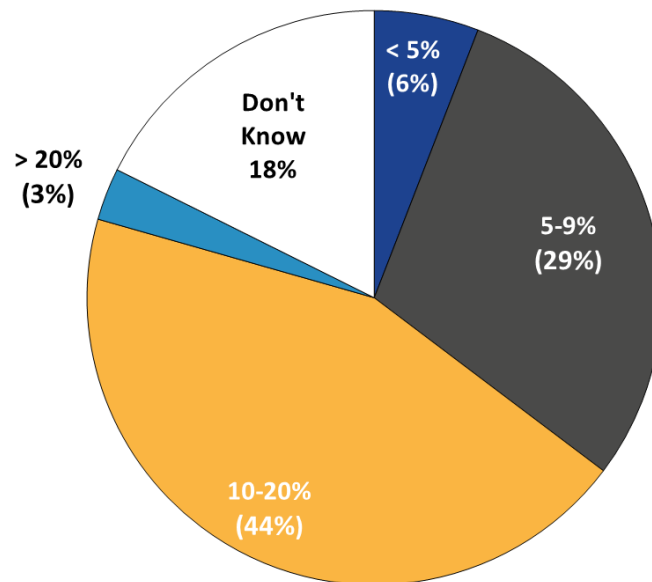
More merchants in Scotland (+31%) and the South (+20%) expect sales to increase, while merchants in the Midlands (-19%) expect sales to fall.

Small branches expect sales to grow most (+16%).

Sales Expectations...4

8

Sales Expectations: % Increase
Dec 2022 v Dec 2021



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Base: 34

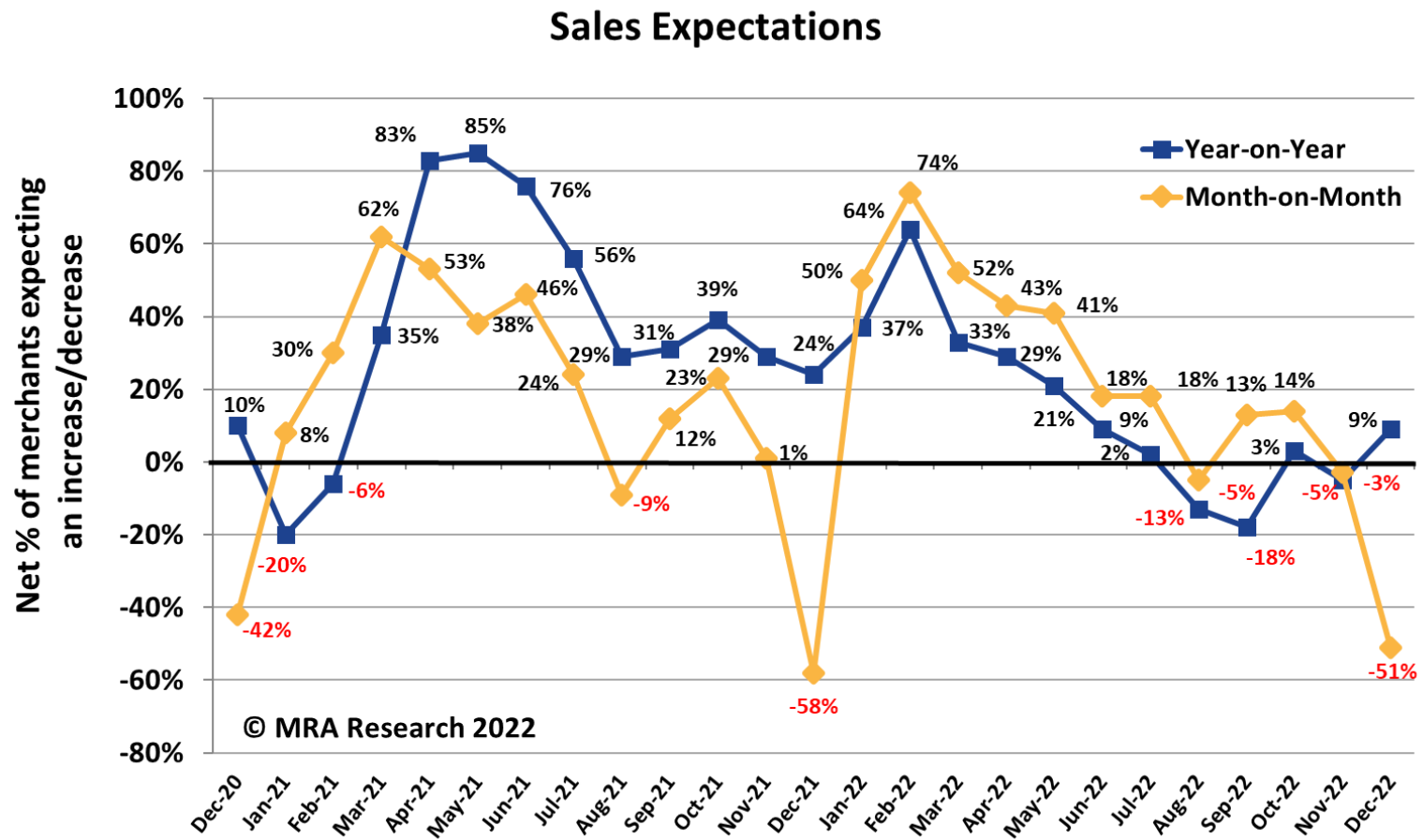
Just over 1 in 3 (35%) of those expecting sales to increase in December, compared to the same month in 2021, expect an increase of up to 9%

Nearly half (47%) expect sales to increase by 10% or more.

Sales Expectations

Month-on-Month v Year-on-Year

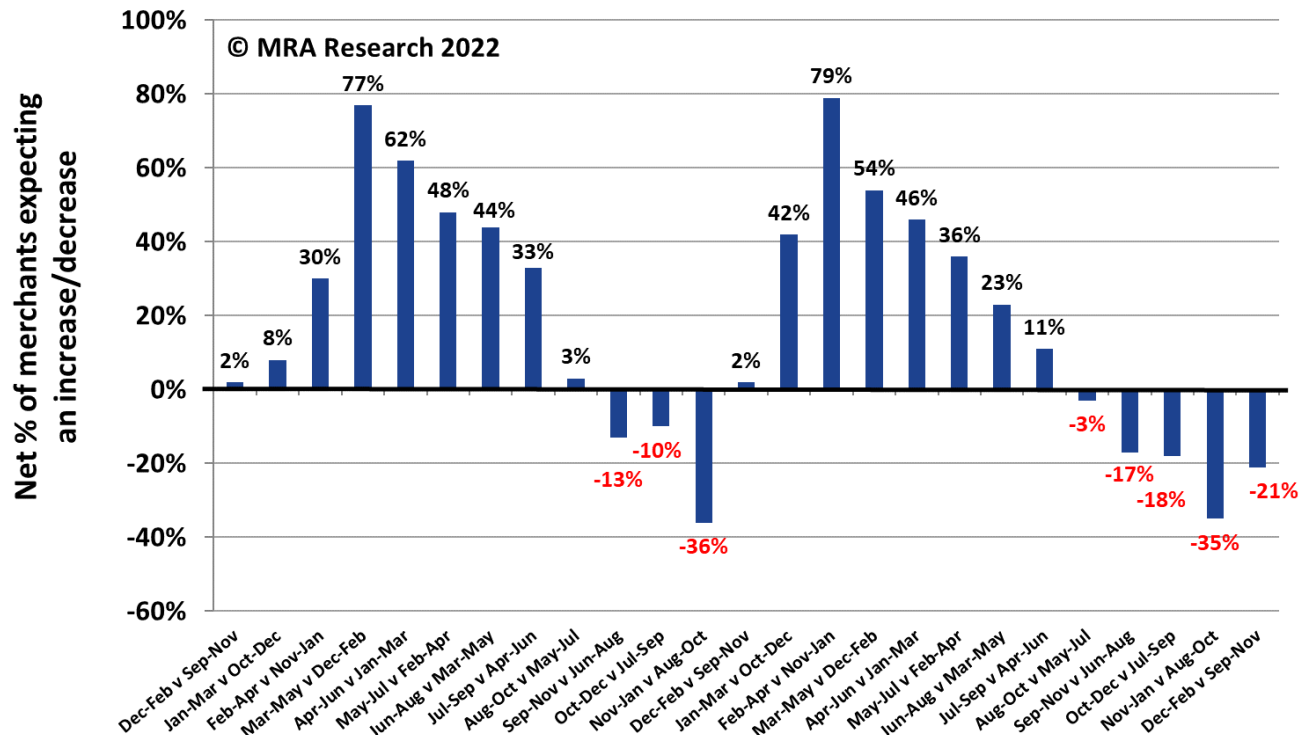
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Sales Expectations: Quarter-on-Quarter...1

10

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



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, 13% of merchants interviewed expect growth against 34% who expect a decline. The net figure is -21% expecting decline.

Looking three months ahead, merchants' expectations have improved to a net -21% from the previous three months' low of (-35%).

Expectations were low across all Merchants but particularly in Mid-sized outlets (-29%), and in Scotland (-38%).

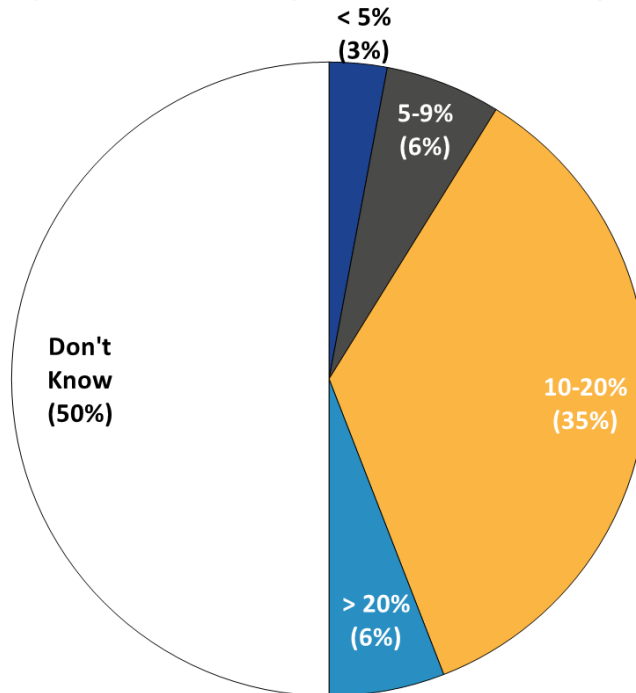
By type of merchant a net -34% of Independents expect to sell less in the next three months, compared to the previous three months. Nationals (-16%) and Regionals (-13%) also expect to sell less.

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

11

Sales Expectations: % Decrease

Next 3 months (Dec 2022-Feb2023) v Previous 3 months (Sep-Nov 2022)



Half of those expecting sales to fall can't say by how much.

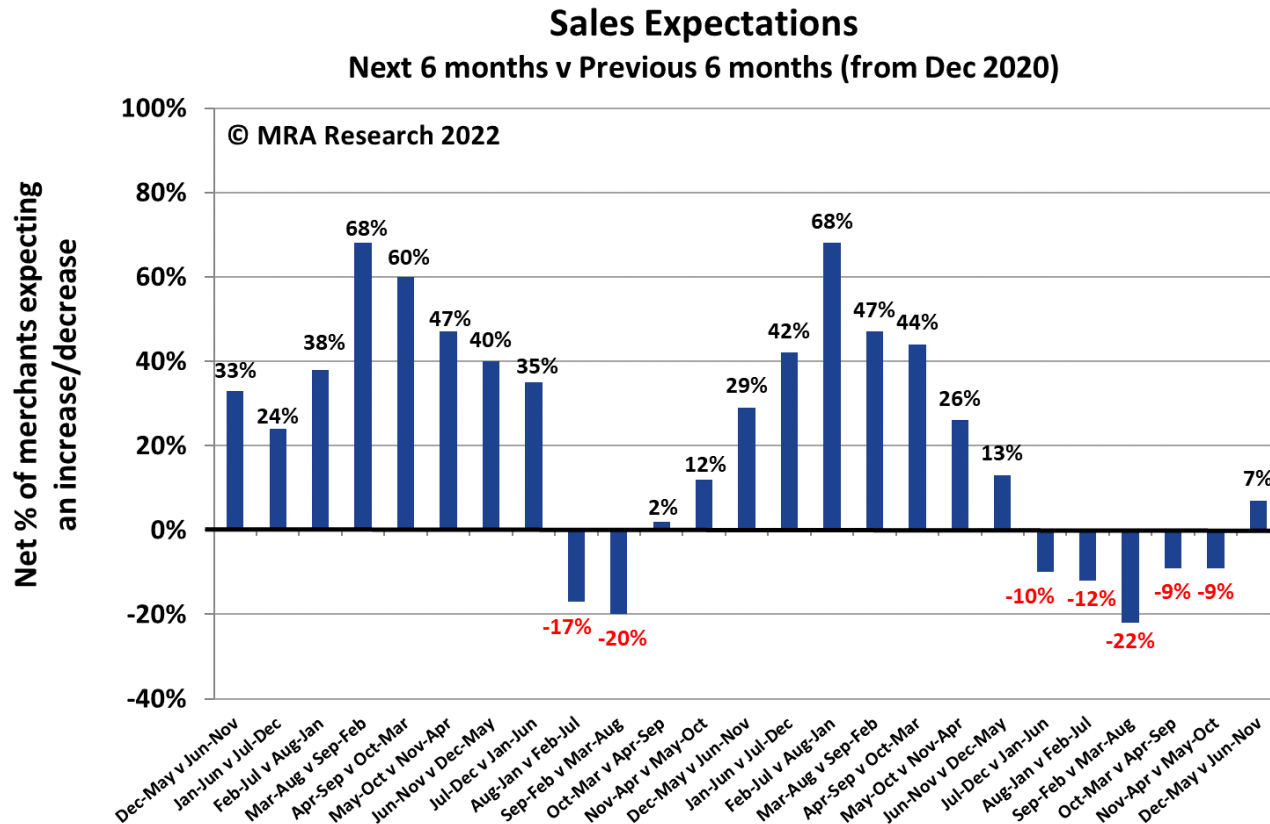
More than 4 in 10 (44%) expect a drop of up to 20%.

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Base: 34

Sales Expectations: The next six months...1

12



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, 31% of merchants interviewed expect growth against 24% who expect a decline. The net figure is +7% expecting growth.

Looking six months ahead, a net +7% of merchants expect sales to increase in the six months December 2022 to May 2023 compared to the previous six months. That's the first time Merchants have forecasted growth since April 2022.

Except for Scotland, which expects no change, all regions expect some growth.

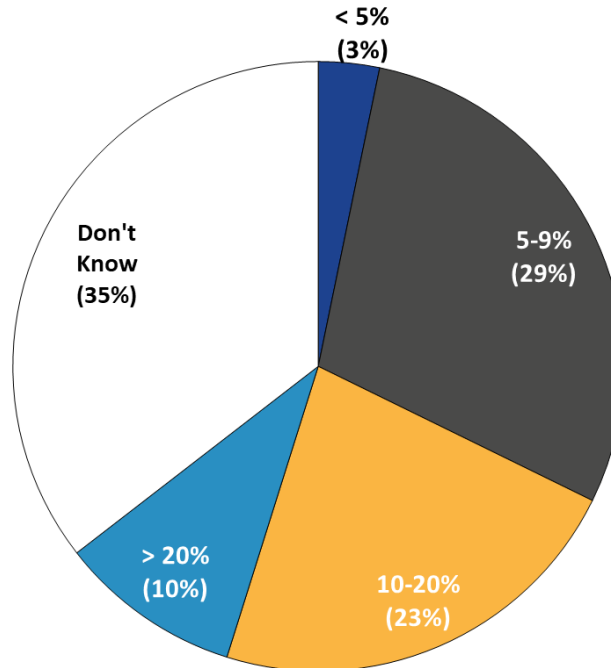
A net +13% of Nationals expect growth. Fewer Independents (+3%) and Regionals (+3%) expect growth.

Sales Expectations: Next six months...2

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Sales Expectations: % Increase

Next 6 months (Dec 2022-May 2023) v Previous 6 months (June-Nov 2022)



Nearly one in three (32%) merchants expecting sales to build in the next six months expect an increase of under 10%.

But almost a quarter (23%) expect growth of 10% to 20% while 10% expect an uplift of more than 20%.

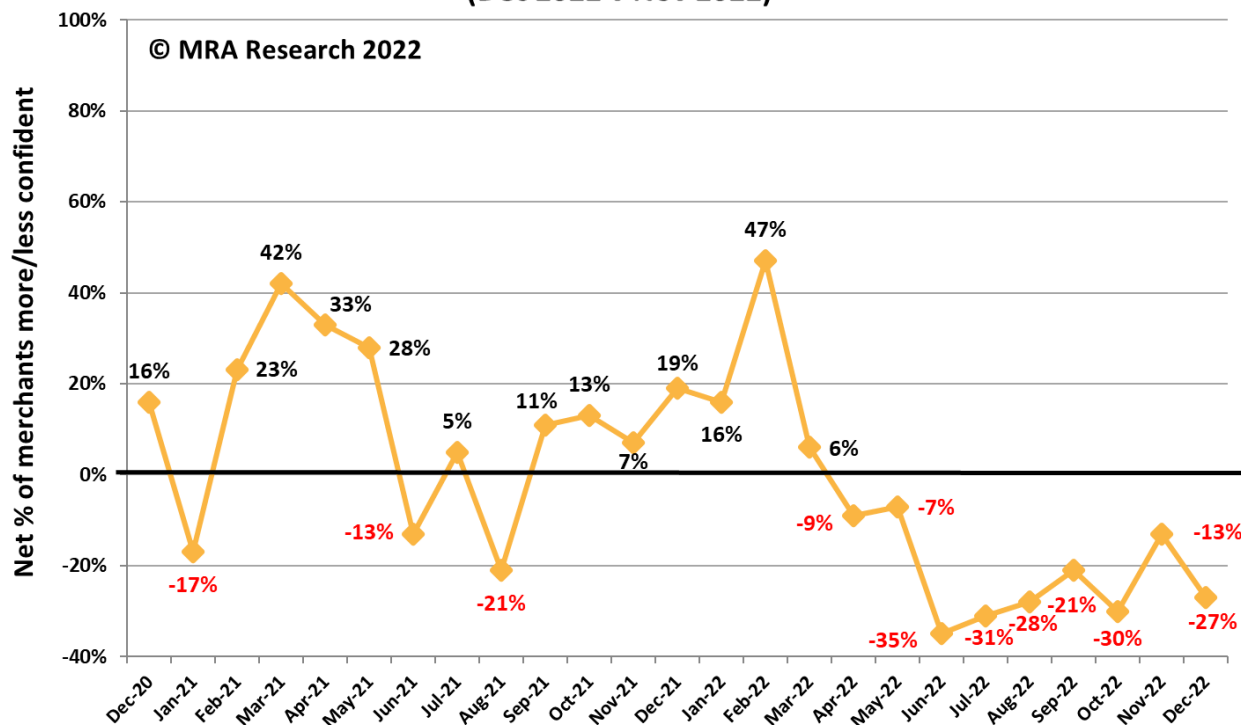
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Base: 31

Confidence in the market: Month-on-Month

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Confidence in the market: Month-on-Month
(Dec 2022 v Nov 2022)



A net -27% of merchants are less confident in the market now than in November.

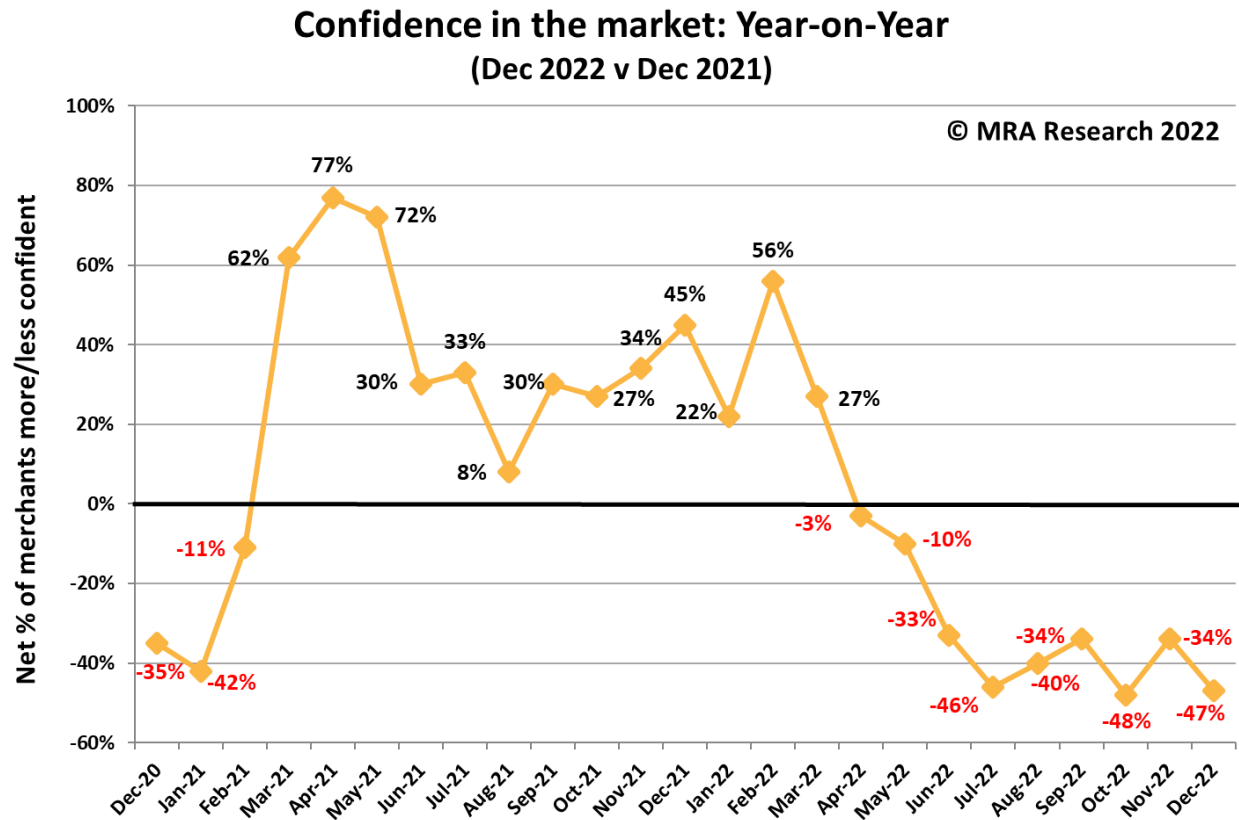
Confidence in the market is weak in Small branches(a net -29%) and Mid-sized outlets (-33%). An equal number of Large outlets (a net 0%) are more confident and less confident in the market.

Scotland (-44%), the Midlands (-41%) and Independent merchants (-41%) 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, 18% of merchants interviewed are more confident against 45% who are less confident. The net figure is -27% less confident.

Confidence in the market: Year-on-Year

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Year-on-year, confidence in the market has also fallen from last month. A net -47% of merchants are less confident in the market at the start of December than they were in December 2021.

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

Independents (-59%), Merchants in Scotland (-62%) and the Midlands (-59%) 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, 17% of merchants interviewed are more confident against 64% who are less confident. The net figure is -47% less confident.

Confidence in the market:

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

16

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

Because it was very hard to get of the suppliers last time this year.

Because of covid.

More stock is coming in. It was hard to get stock before 6-7 months before. Stock is slowly coming back.

What we've seen happening locally with sites being built.

Just we've got a lot of our price information now.

I wasn't expecting to be where we are at the moment because sales have increased, and I wasn't expecting them to.

A lot of the uncertainty with Covid has been removed. Prices are increasing but not going haywire like they were.

We're coming out of Covid.

It was all down to stock availability which started this year. We started off with a lot of the top selling stuff like boilers and stuff, not being available to us. There was a manufacturing issue. It was just boilers. A lot of people couldn't source stuff because of natural resources to make products wasn't available. The first 5-6 months of this year was a huge problem for us. It's now back on track. Not 100% but it's getting there.

Prices have levelled out.

Couldn't get anything last year. No accessibility to stock.

Just talking to customers and knowing there's more jobs coming through pipeline at the moment.

We got brought out and we have had a lot of changes and investment put into us, so our buying power is better.

I think maybe pick back up again maybe improve.

Seen changes in the industry over the past year.

Last year affected by stock issues due to Brexit and covid

Confidence in the market:

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

17

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

Because of the things that have happened to the energy bills.

Cost of living crisis.

Price increases.

This time last year we could see the end of Covid and thought everything was going to be rosy. Now we have the energy crisis and everything kicking off in the Ukraine. The recession as a result will be a tough time.

Because of the government.

The writing is on the wall. The government and the rich people and the rest of the problems have exacerbated the problems we normally have.

Energy bills and cost of living.

Just because of the economy.

Questionable decisions that the government are making hoping that the new prime minister will make better changes.

Just the expectations of recession.

Tories.

Cost of living crisis, not affected as much.

Situation the with world people losing a lot of jobs/customer.

The cost of living.

Simple fact because not getting the material and the prices going up.

Current climate energy crisis and cost of living.

Things are going down. During Covid and just after Covid we were quite busy but now it's gone really dead.

Last year was brilliant. Just the state of the British economy at the minute, nobody knows what's happening.

The rising prices and energy costs are pushing people away because they can't afford it.

It's quieter.

Cost of living crisis.

Supply chain - a lot of the materials are coming from Europe, so it does create problems for us. China. Prices are going up steadily. Quite hard at the moment.

Everything that has gone in the news in the last two months. Talk of doom and gloom in the media puts this into people's heads.

Inflation recession.

What's going on with the interest rate and inflation. It's making the industry less confident.

The uncertainty - changing from gas to hydrogen and cost of living crisis - wood burning stoves.

Confidence in the market:

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

18

Cost of living.

A lot economic potential uncertainty.

I think it's all down to price at the moment, so your margins are cut a bit. Also, with the economy we can feel it slow down already.

Recession.

Energy costs.

Customers are not spending the money and cost of living is making people think.

The cost of living crisis and people holding onto their money. Investment will be lower.

Because of the government.

We're going into an unknown - things are getting tighter.

General, people aren't spending as much money.

Price of oil, inflation.

People have got less money.

Things have changed in the last year.

I think the price increases and then cause a recession.

Recession, interest rates, supplier interests' rates increases = The perfect storm.

Because we are about to hit a recession.

Last year we had strong prices. Prices have dropped by 30%. Gas and electricity have gone through the roof whilst timber's gone through the floor.

Cost of living. General way of the world.

Uncertainty going forward. Looming recession on the horizon.

The way everything is going - prices keep going up and lack of availability. Transport costs have gone up. All materials, transport, everything is too expensive now.

Before the war everything was looking prompting. This were looking better. A few uncertainties.

Recession coming, looming.

Money people disposal income is less - and state of the country due to inflation and cost of living rises.

I know strange thing to say after Covid we had really really busy couple of years back of Covid everything at the moment cost of living next year will be tricky one, next few months irons in fire looking further into next year more uncertain.

House prices dropping, general sites not many, that type of stuff generally not much business.

Confidence in the market:

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

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Because something got to give with the price increases and energy increases and people will have to stop spending money somewhere.

Economic environment.

Cost of living, inflation.

Just because of the state of country and the price increases.

Cost of living. not spending like they were before.

Price rises.

Just with the whole economic way just now.

With everything to do with the energy prices going up.

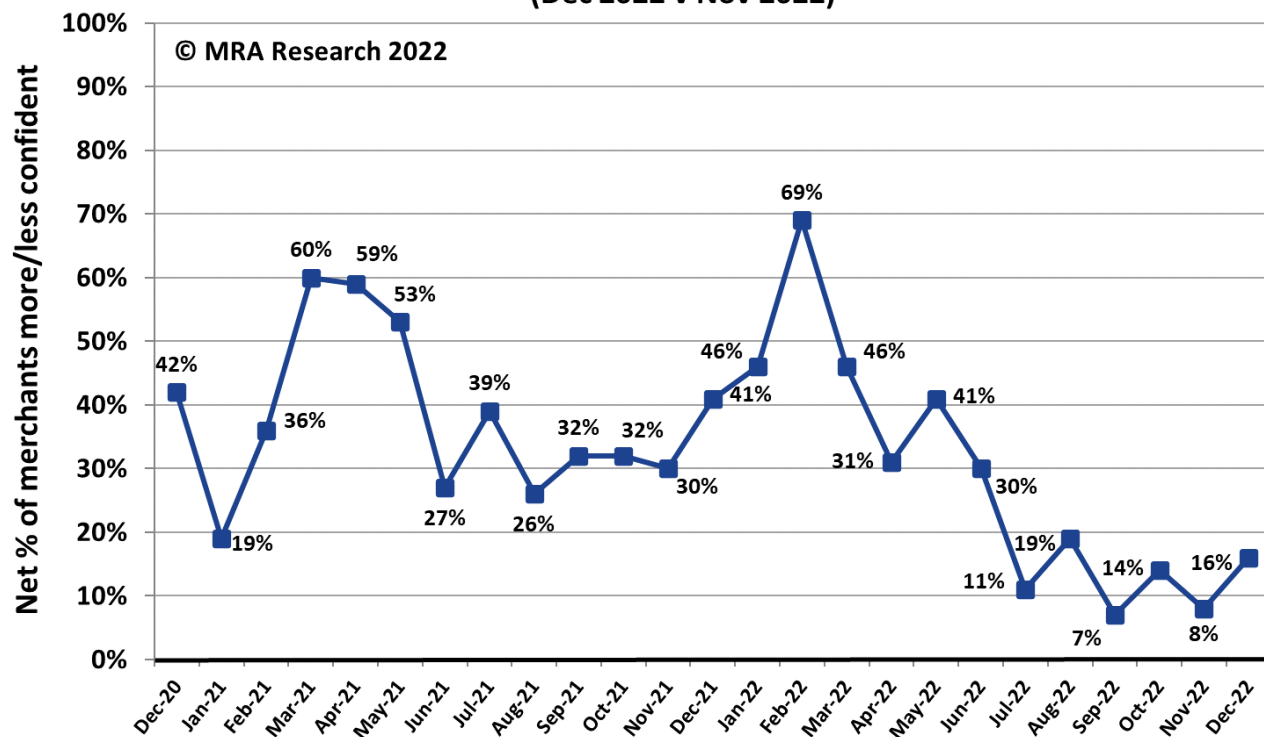
We didn't have the war in Ukraine or the cost of living pressures this time last year.

Heading through recession.

Confidence in their own business: Month-on-Month

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Confidence in their own business: Month-on-Month
(Dec 2022 v Nov 2022)



While Merchants lack confidence in the market, they are consistently more confident in the prospects for their own business with a net +16 more confident month on month.

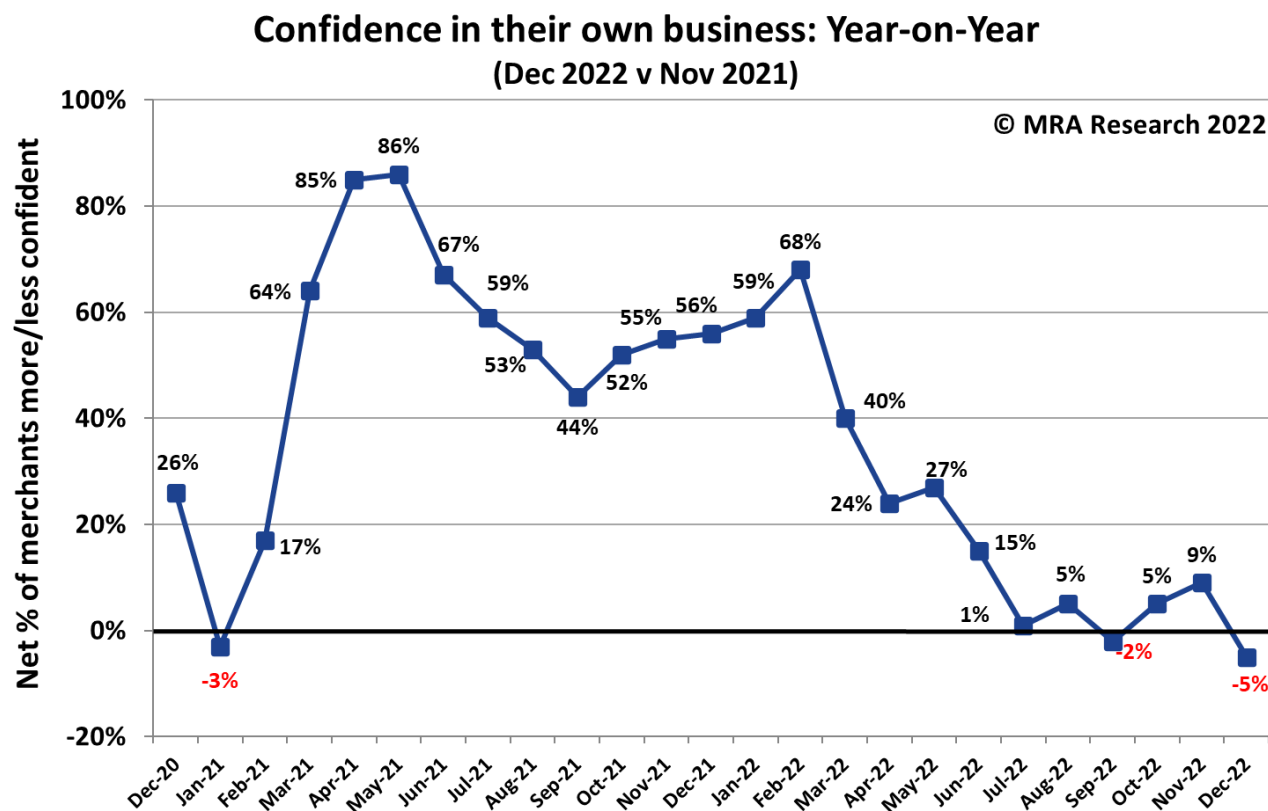
All types of Merchant in all regions are confident.

Nationals (+21%) and Regionals (+17%) are most confident, but Independents are also confident in their own business (+9%).

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 10% who are less confident. The net figure is +16% more confident.

Confidence in their own business: Year-on-Year

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Year-on-Year, Merchants' confidence in their own business has weakened to a net -5%.

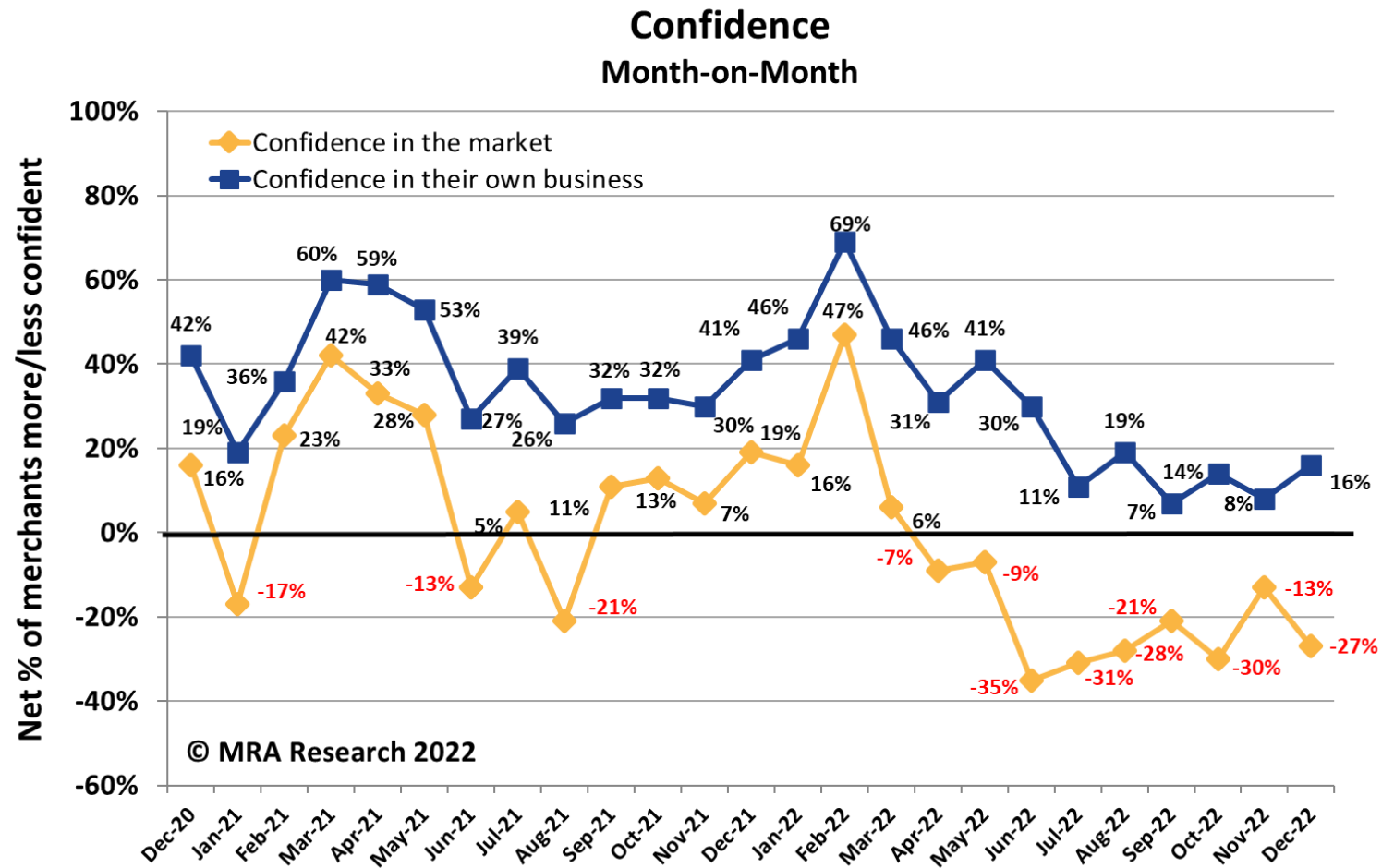
But Regionals (+17%), Small branches (+4%), and the South (+3%) are still more confident than they were the same time last year.

A net -25% of Independents and Nationals (-5%) are less confident in the prospects for their business than they were last year.

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 31% who are less confident. The net figure is -5% less confident.

Confidence in the market v own business

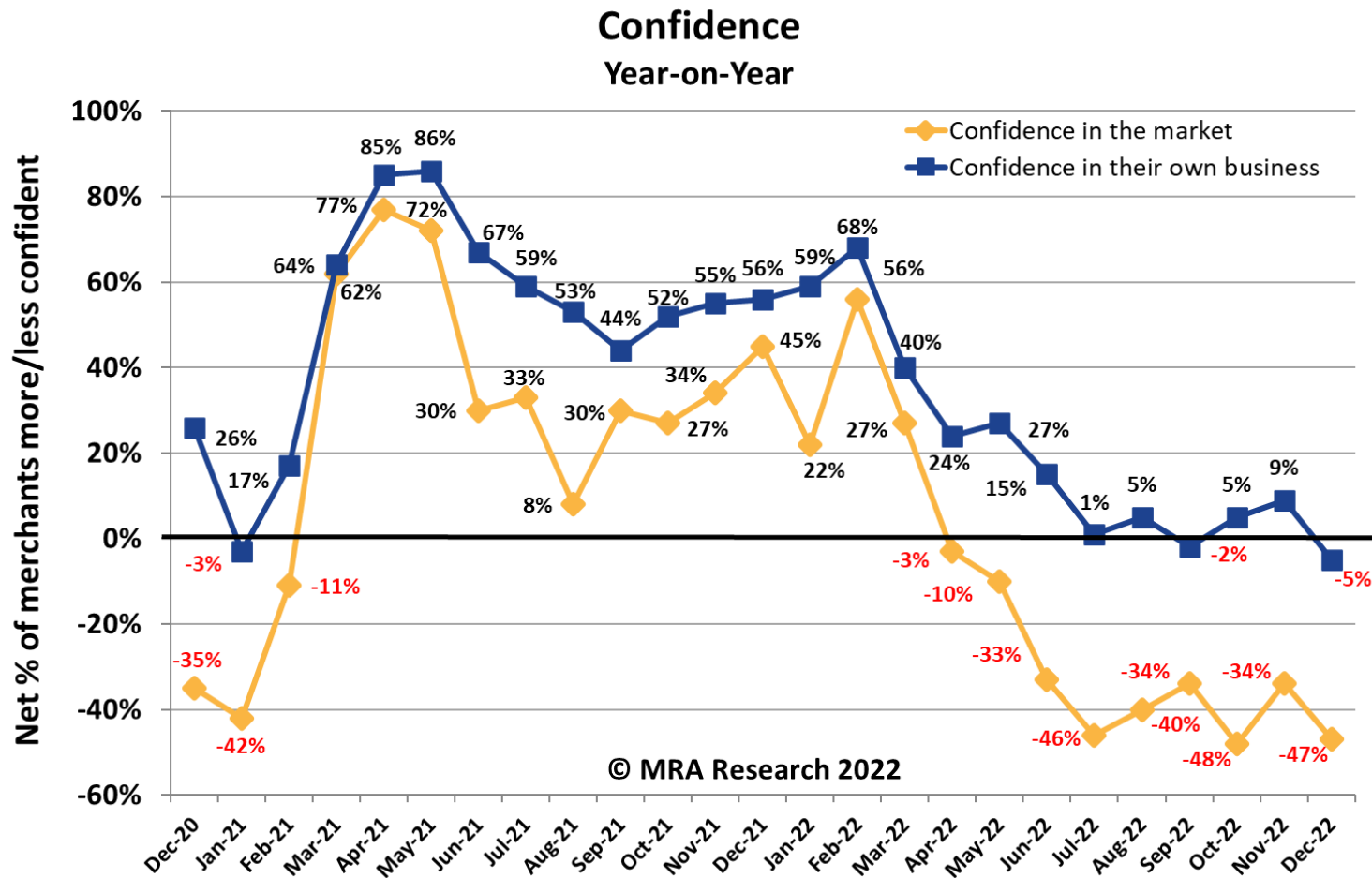
Month-on-Month



Confidence in the market v own business

Year-on-Year

23



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 44th in the series, with interviews conducted by MRA Research between 1st and 5th December 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 Yvette Kirk at MRA Research on 01453 521621.

A new Omnibus survey of Builders' Merchants for you

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- MRA Research has launched a new monthly Omnibus survey. In an Omnibus survey you can buy as few or as many questions as they want. The results are for your eyes only.
- Benefits include:
 - Representative sample of merchant views with built in quotas for reliability.
 - Research is conducted by experienced professionals who know the industry.
 - It's quick, confidential, reliable and a lot more cost effective than chancing your own or commissioning an ad hoc survey. Plus, free advice and support to get it right.
 - Help with designing questions and calculating how many interviews you need.
 - Results presented in tables. Or can be with charts and bullet point commentary.

PBM's Omnibus questions in December focused on Grenfell. See slides 27-29 for the results.

Talk to Yvette Kirk, MRA Research Project Director on 07918 272936 or email yvette@mra-research.co.uk Create your own survey now - with results in 2 weeks.

PBM's Omnibus December's questions are about Grenfell

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On 14 June 2017, a high-rise *fire* broke out in the 24-storey *Grenfell* Tower block of flats in North Kensington, West London. 72 people died and Grenfell has barely been off the front pages in the last six years.

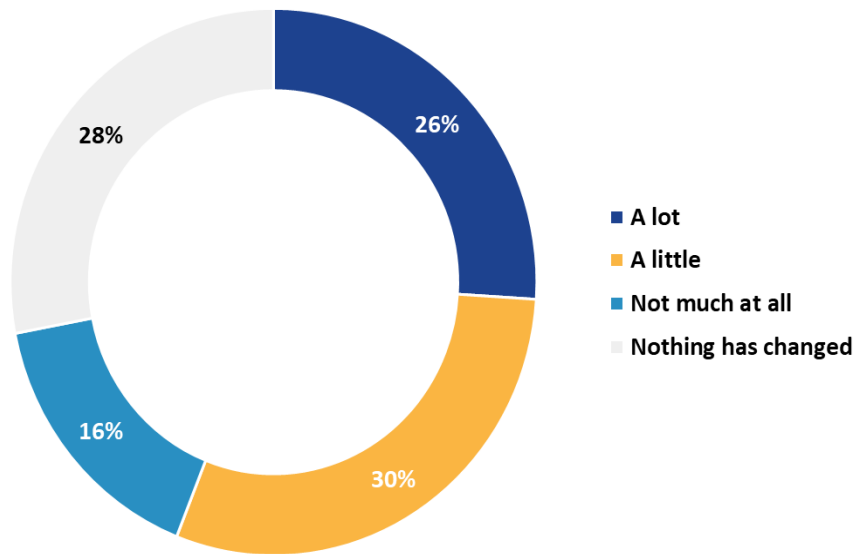
The enquiry into the causes of the fire have exposed much that needs to change. A high-profile industry group compiled a new Code for Construction Product Information (CCPI) and we can expect more changes to follow.

How much has Grenfell affected Builders' Merchants and their customers?

Omnibus questions about Grenfell and the industry... Q1

27

The Grenfell fire shocked the nation. Fire safety and building safety have been top news since.
But in practical terms, how much would you say has changed in fire safety and the way we build to make our buildings safer?



More than 1 in 4 (26%) Merchants think Grenfell has changed attitudes in construction to fire safety and the way we build.

But most Merchants (74%) think little to nothing has changed since the Grenfell fire shocked the nation.

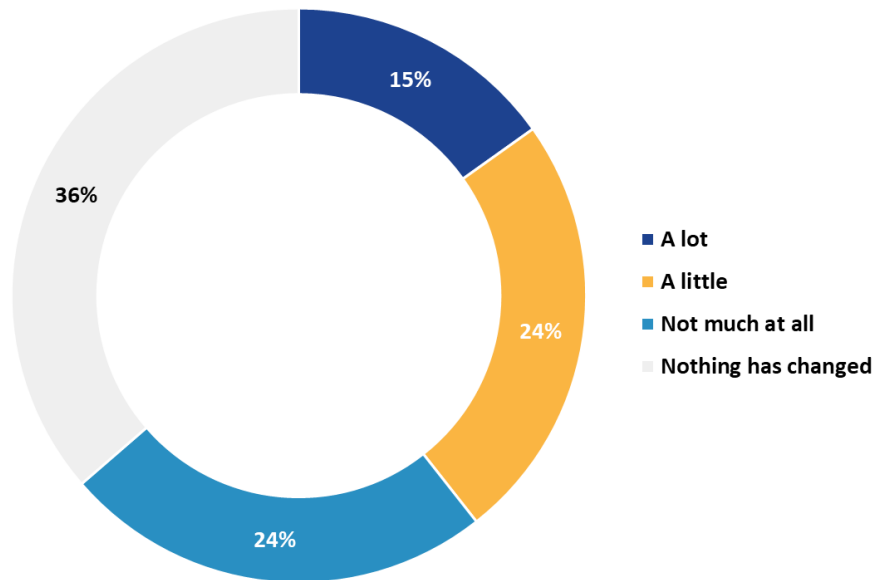
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Base: 100

Omnibus questions about Grenfell and the industry... Q2

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To what extent would you say your customers have changed the products they buy, the advice they ask, or the way they build following Grenfell and the new Code for Construction Product Information (CCPI)?



Just 15% of Merchants say their customers have changed the products they buy, the advice they ask or the way they build following Grenfell and the new Code for Construction Product Information (CCPI).

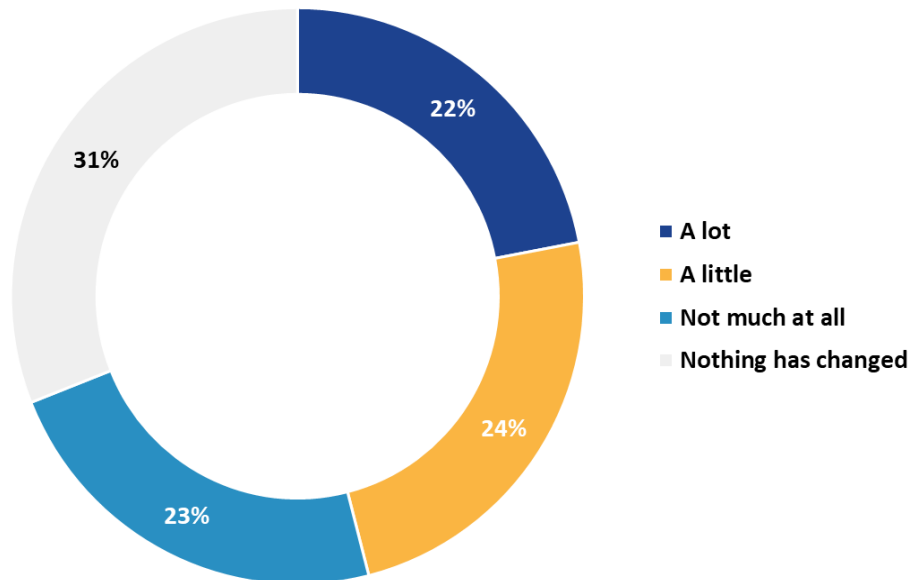
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Base: 100

Omnibus questions about Grenfell and the industry... Q3

29

To what extent has your business changed the products it sells, or the information and advice you give customers to help them build more safely?



Just over one in five merchants (22%) say they have changed the products they sell, or the information or advice they give customers to help them build more safely following Grenfell.

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Base: 100

About MRA

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MRA Research

MRA Research is one of the UK's longest standing research and insight companies solely serving construction, building materials and home improvement markets. Services include customer satisfaction surveys, brand mapping & positioning, competitive advantage surveys & competitor reviews, new product development & concept testing, advertising & messaging research, product usage surveys, decision maker research and market tracking.

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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Agency of the Year 2017
Agency of the Year 2004



“It’s great what you are doing with The Pulse. It is an outstanding, must read, for all in the building materials market from a first class research & marketing agency. I’ve always been a fan of top quality market research and currently it’s moved beyond vital to critical. It’s £000s of great value for free.”

Paul Hetherington, Hetherington International Services Ltd



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Old Crown House, 18 Market Street, Wotton-under-Edge, Gloucestershire GL12 7AE

t: 01453 521621 | e: hello@mra-research.co.uk | w: www.mra-research.co.uk