



February 2023

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

The Pulse: Overview

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Forget the gloomy forecasts. Merchants are full of confidence.

Most economists are forecasting a shallow and relatively short recession, and technically we still seem to be on the brink of recession.

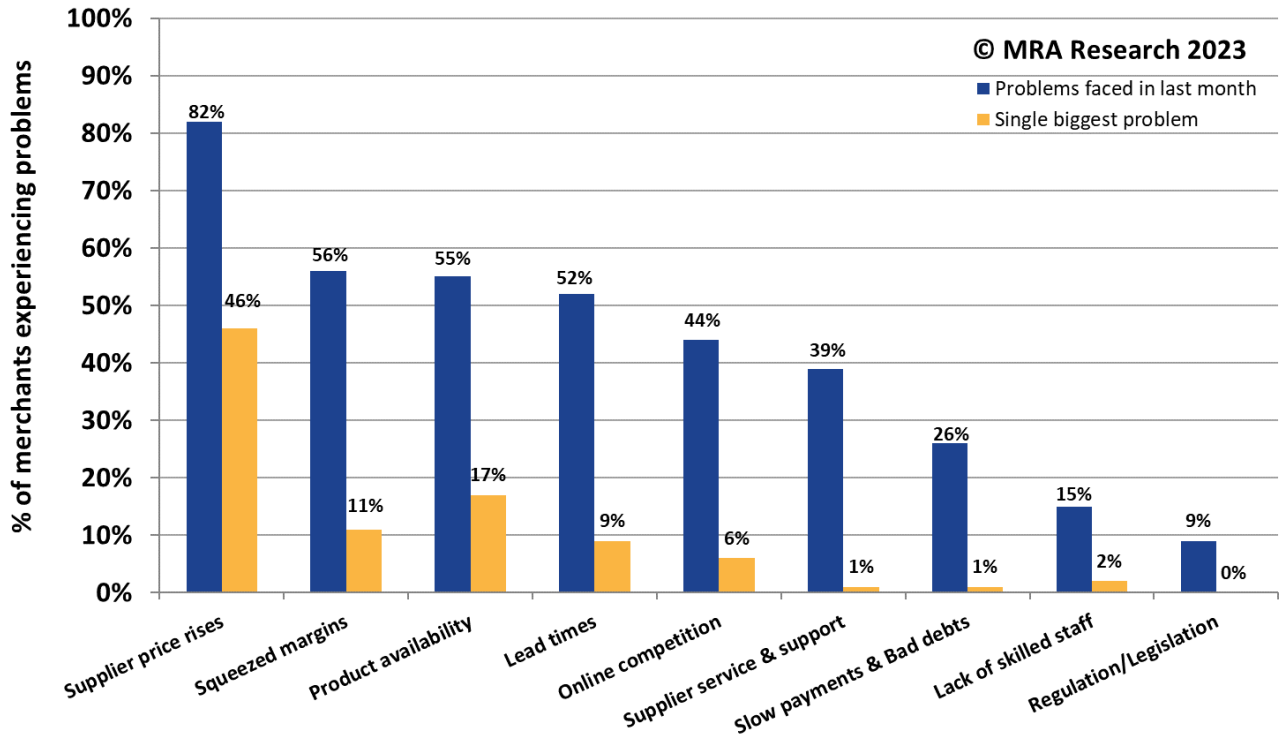
But whatever forecasts say, based on what builders' merchants are experiencing, sales expectations continue to build, with merchants across the country expecting growth.

Inflation-driven supplier price rises and squeezed margins remain significant problems for merchants, but market confidence has improved from a low point mid-2022 and is back in positive territory. Confidence in the prospects for their own business is significantly stronger.

[The Pulse, by MRA Research, is a monthly tracking survey of merchants' confidence and prospects. Telephone interviewing took place between 1st and 2nd February 2023 (2 working days).

Problems for merchants in the last month

Problems faced by merchants in the last month

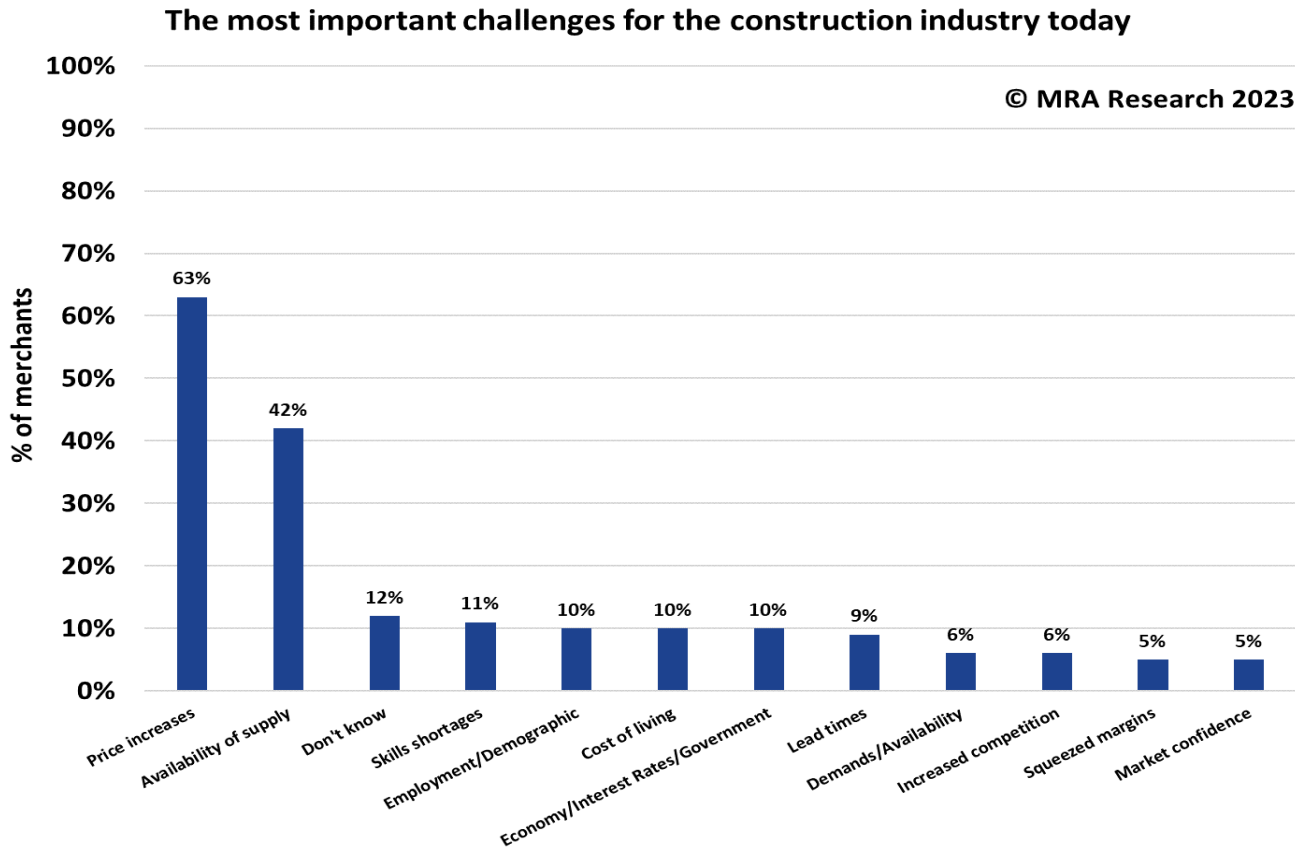


Supplier price rises are the single biggest problem for nearly 1 in 2 merchants (46%).

But merchants continue to face many headwinds.

Supplier price rises are a problem for 8 in 10 (82%) merchants with squeezed margins a problem for almost 6 in 10 (56%).

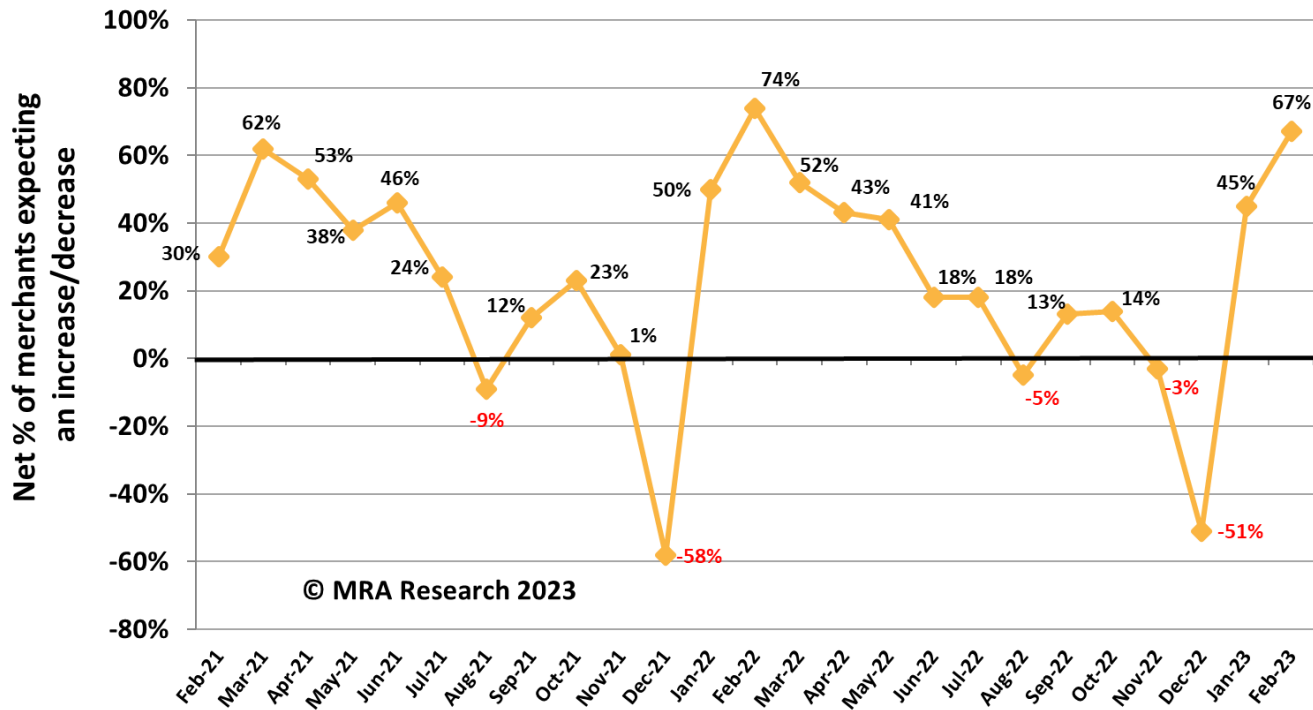
The most important challenges for construction today



Merchants still see price increases (63%) and supply availability (42%) as the most important challenges for construction.

Sales Expectations...1

Sales Expectations : Month-on-Month
Feb 2023 v Jan 2023



Month-on-month sales expectations have strengthened remarkably since December (to a net +67%), and nearly to the level it was in February 2022.

All types and size of merchants expect growth.

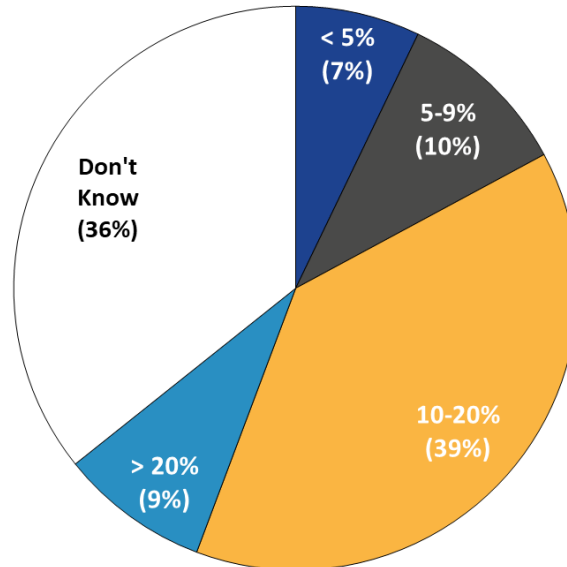
Expectations are particularly strong among Regionals (78%) and Independents (75%), in the Midlands (74%) and the South (71%).

Expectations in the Nationals (+51%), small branches (+58%) and Merchants in Scotland (+47%) are also strong.

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, 70% of merchants interviewed expect growth against 3% who expect a decline. The net figure is +67% expecting growth.

Sales Expectations...2

**Sales Expectations: % Increase
Feb 2023 v Jan 2023**



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Base: 70

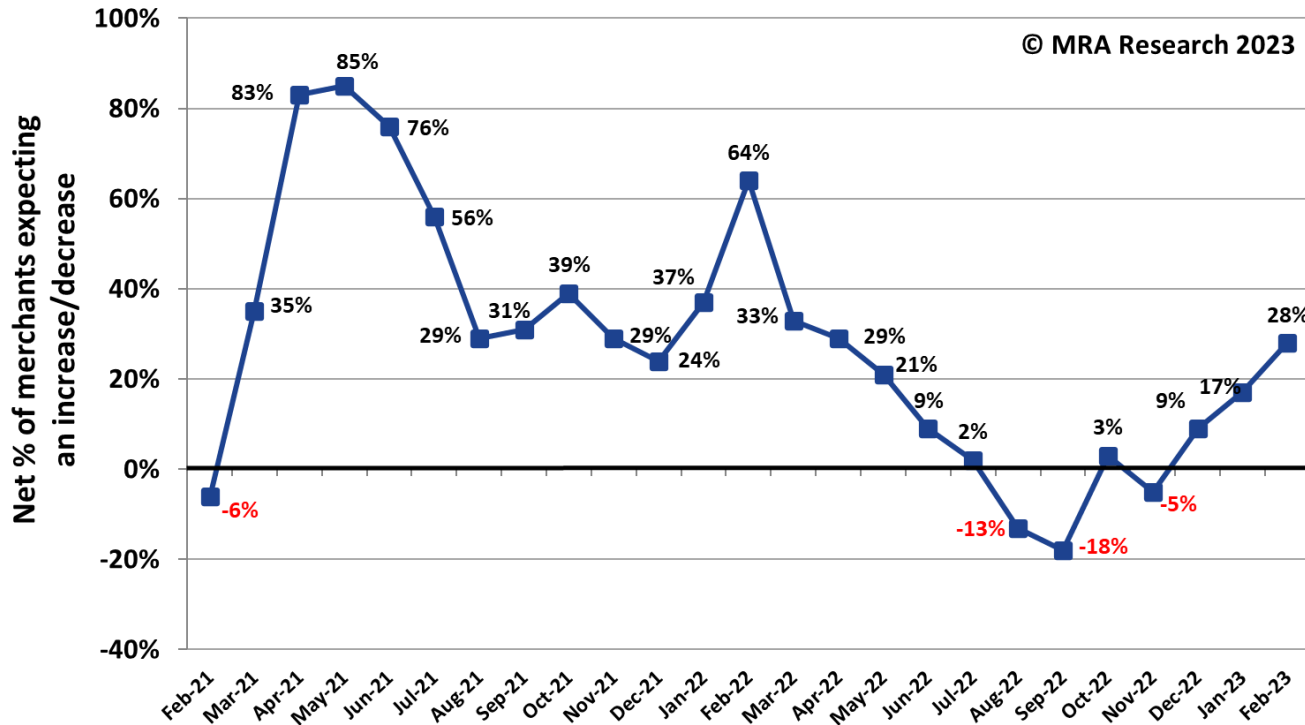
Nearly 1 in 5 (17%) of merchants who expect sales to increase in February from January are expecting sales to grow by less than 10.

But nearly 2 in 5 (39%) expect their sales to increase by 10 to 20%, and 9% expect an increase of over 20%.

Just over a third (36%) of merchants expecting growth can't say how much.

Sales Expectations...3

Sales Expectations: Year-on-Year
Feb 2023 v Feb 2022



Compared with February 2022, this February's sales expectations are well up (net +28%).

Expectations are strongest among Large outlets (+50%) and Nationals (+36%).

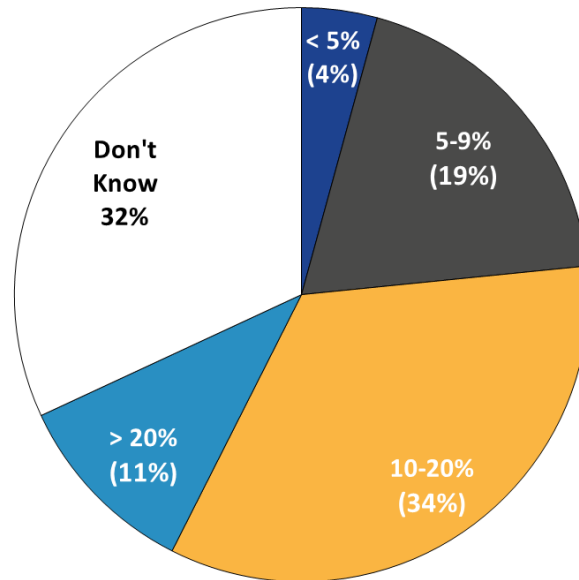
All types and size of Merchants expect growth.

By region, only Scottish Merchants expect a decline (-6%).

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, 47% of merchants interviewed expect growth against 19% who expect a decline. The net figure is +28% expecting growth.

Sales Expectations...4

**Sales Expectations: % Increase
Feb 2023 v Feb 2022**



© MRA Research 2023

Base: 47

Almost 1 in 4 (23%) of those expecting sales to increase in February, compared to the same month in 2022, expect to grow by up to 9%.

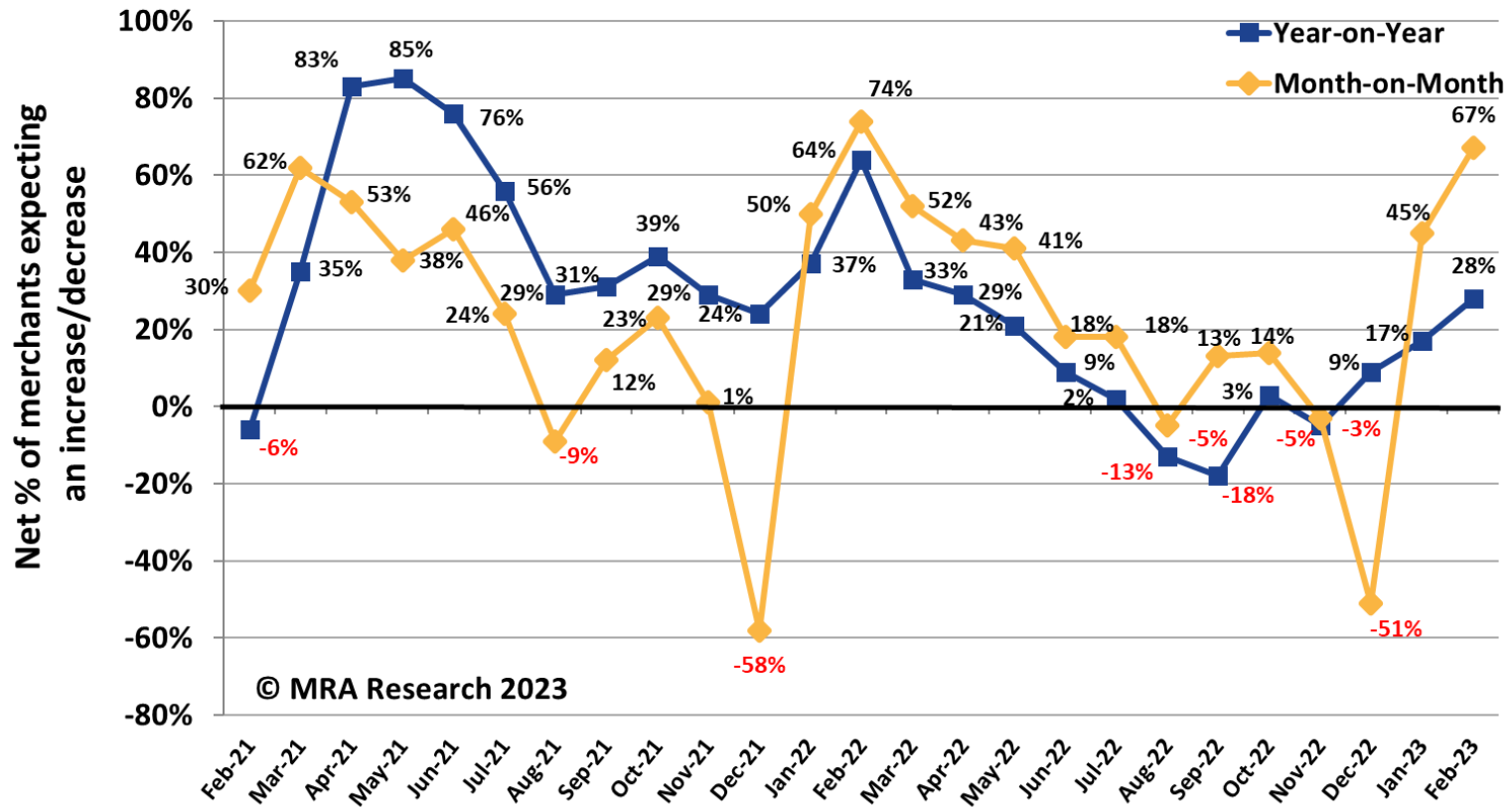
But over a third (34%) expect sales increases of 10 to 20%.

And just over 1 in 10 (11%) expect to grow by more than 20%.

Sales Expectations

Month-on-Month v Year-on-Year

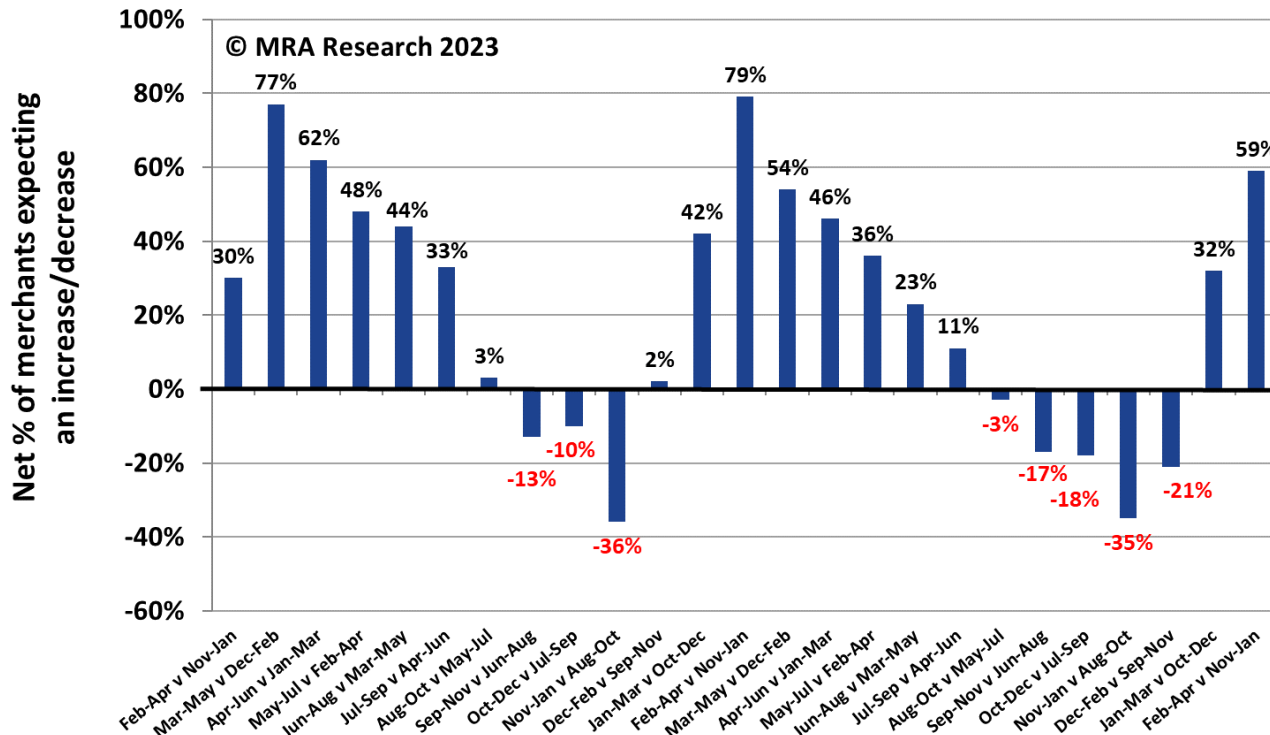
Sales Expectations



© MRA Research 2023

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

Sales Expectations
Quarter-on-Quarter (from Feb 2021)



A net +59% of merchants expect sales to improve in February-April compared to the previous three months.

All merchants expect growth.

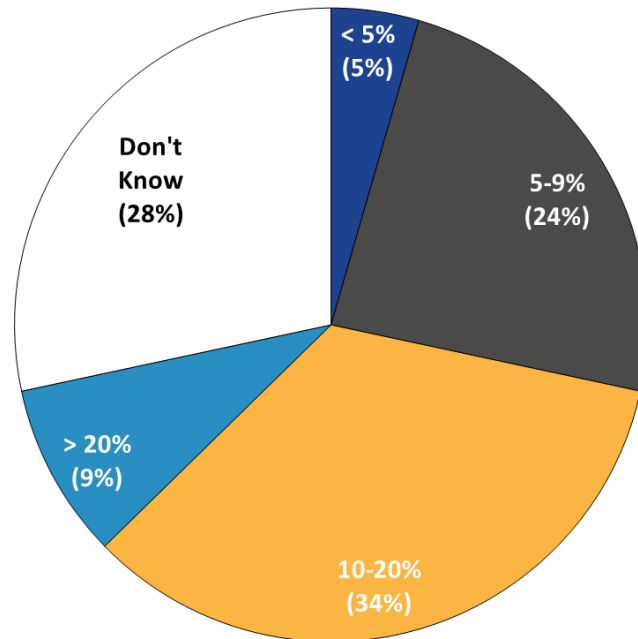
Merchants in the South (+74%) and Larger outlets (+75%) have the strongest expectations.

Nationals (+46%) and merchants in Scotland (+47%) also expect growth.

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, 67% of merchants interviewed expect growth against 8% who expect a decline. The net figure is +59% expecting growth.

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

Sales Expectations: % Increase
Next 3 months (Feb-Apr 2023) v Previous 3 months (Nov 2022-Jan 2023)



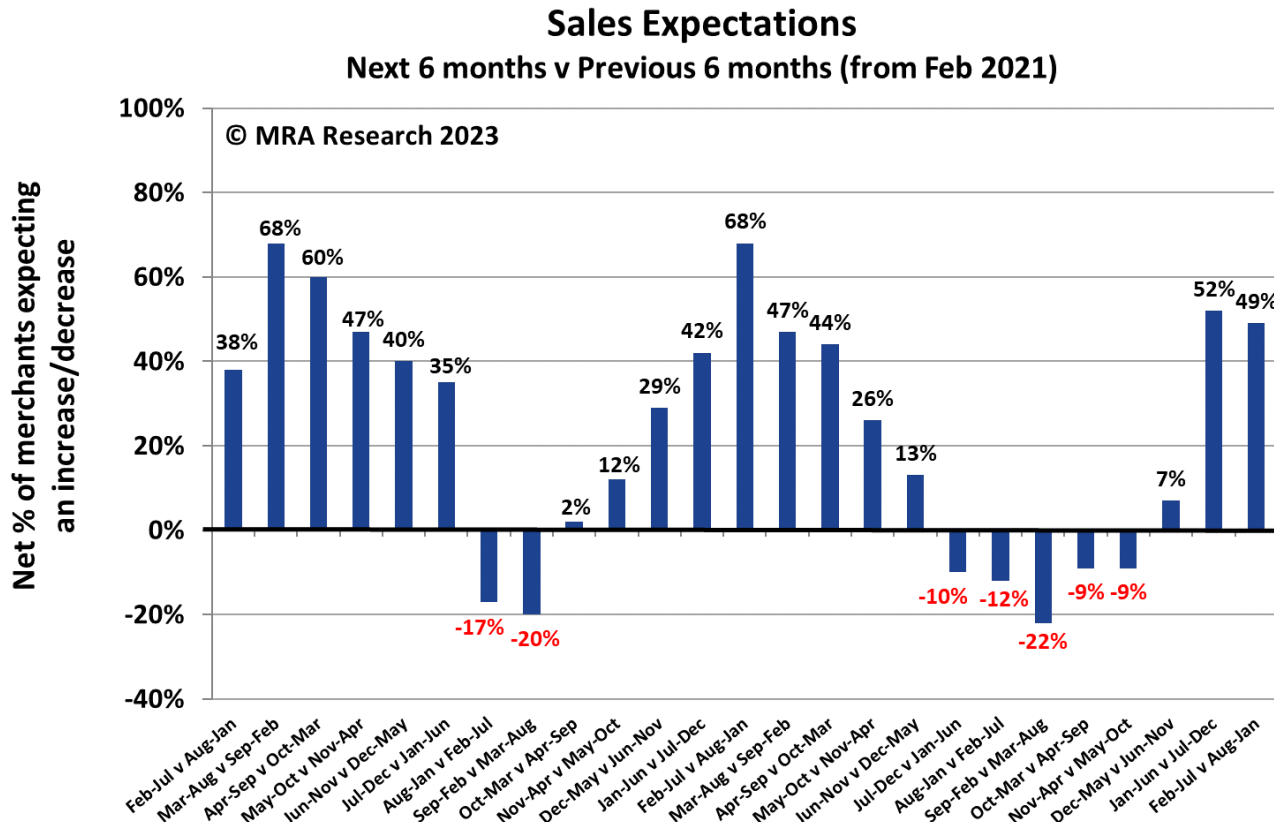
Nearly 1 in 3 (29%) of those expecting sales to grow say they will grow by less than 10%.

But almost half (43%) expect sales to grow by more than 10%.

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Base: 67

Sales Expectations: The next six months...1



Looking six months ahead, a net +49% of merchants expect sales to increase in the six months February 2023 to July 2023 compared to the previous six months – a similar level to January’s expectations.

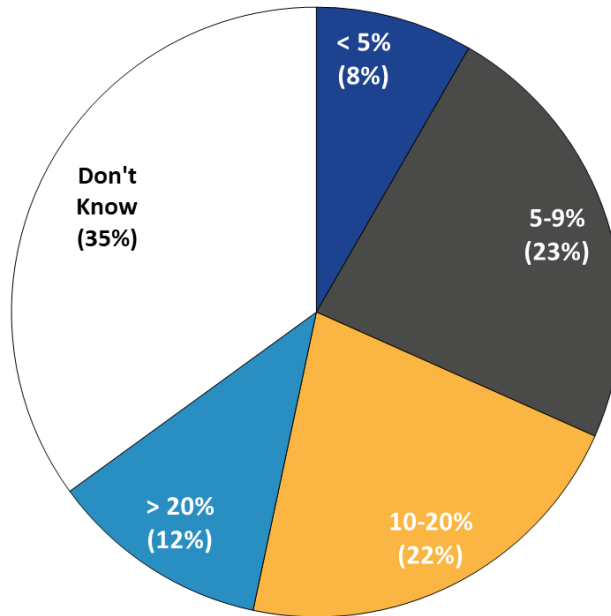
Regionals (net +60%) and Large outlets (+67%) are strongest.

All regions expect growth. Merchants in the South (net +58%) lead in regional growth expectations. The Midlands (+39%) and Scotland (+41%) also expect growth.

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, 60% of merchants interviewed expect growth against 11% who expect a decline. The net figure is +49% expecting growth.

Sales Expectations: Next six months...2

Sales Expectations: % Increase
Next 6 months (Feb-Jul 2023) v Previous 6 months (Aug 2022-Jan 2023)



Just over 3 in 10 merchants (31%) expect sales to improve by up to 10% in the next six months.

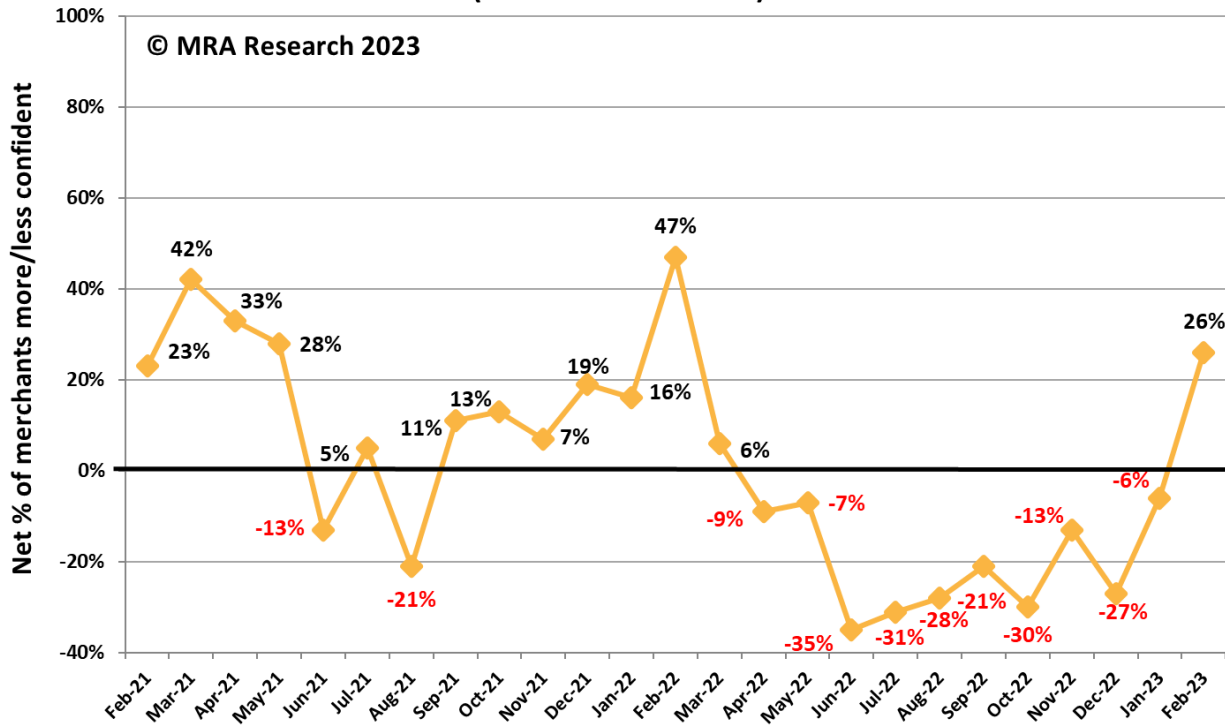
But over a third (34%) expect sales to grow by more than 10%.

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Base: 60

Confidence in the market: Month-on-Month

Confidence in the market: Month-on-Month (Feb 2023 v Jan 2023)



Month-on-month confidence in the market soared to a net +26% in February.

This is the first time in 10 months that more merchants are confident about the prospects for market than those who are less confident.

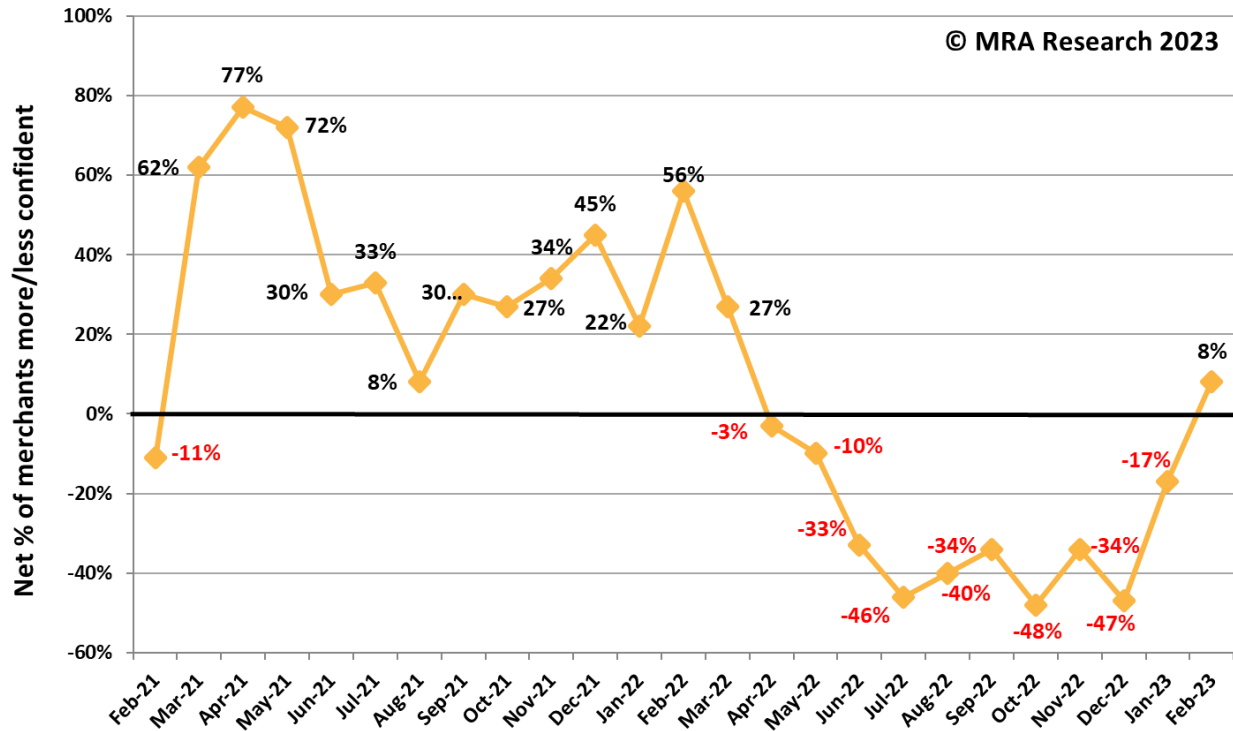
Merchants in the Midlands (+43%) and Independents (+38%) are most confident.

The number of Large outlets who are more confident in the market is balanced by those who are less confident (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, 37% of merchants interviewed are more confident against 11% who are less confident. The net figure is +26% more confident.

Confidence in the market: Year-on-Year

Confidence in the market: Year-on-Year
(Feb 2023 v Feb 2022)



Year-on-year confidence in the market continues to build.

A net +8% of merchants are more confident in the market at the start of February than they were in February 2022.

All sizes of outlet, types of merchant, and all regions except the North are more confident in the prospects for the market.

Confidence in the North is balanced with as many more confident as less (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, 39% of merchants interviewed are more confident against 31% who are less confident. The net figure is +8 more confident.

Confidence in the market:

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

16

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

Availability got a lot better in the last couple of months.

Better knowledge.

Communication with customers for projects we know they have coming up.

Current spending patterns.

Due to covid.

Due to the interest rates, it will affect our customer base but in a positive way, it will force more domestic work than site work.

Experience I've gained from this last year I've been working.

I have got a decent manager and he is supporting business in the branch and business is booming.

I just think there's a lot more growing room at the moment and a lot more that's possibly predicted, and a lot of potential products. More ranges, more stock and supply and cost range reductions.

I think more business is being done.

I think only because of how busy we are, normally it's fairly quiet in January but we've been quite busy this month.

I think things are a lot more settled than they were, in what I hear and the general news and what I see and hear.

I understand a bit more about prices and the increases whereas last year it was all out of whack. We didn't know how to approach people in regards to selling and pricing whereas now we have more confidence and knowledge.

It isn't COVID anymore, we basically shut and went to click and collect only, now there is more trade and now there is customers coming in.

It very steady, there are lot more jobs in.

It's more stable, know what's going to happen in the future.

Just from the start that we have had from the sales from last month the projection.

Last year we couldn't get a hold of stuff. Last year people were buying things left right and centre and we were struggling to get hold of anything because of Covid.

Markets changed.

More accurate sales plan than from when we had Covid.

More money about.

Confidence in the market:

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

17

Not fluctuating as much, comparing this year to last year.

Our builders have a lot of jobs on and there are a lot of forward orders coming through.

People just spending more to be honest, we've done a lot more in the area.

People seem to be spending.

Pre-covid spending after all the lockdown people started spending money on getting their house done up again.

Pricing have gone down.

Since been in this location as we've moved, we've grown quite a lot since.

The markets stabilised after Covid and evened out.

There are better places, the prices are stabilised more, and people are willing to spend money.

We have got more plans in place, more proactive.

We just had a record-breaking January.

We knew where we were with stock and materials but there's been a lot of allocations and there's price increase and were not 100% sure where we are going be.

Were actually starting to get stock come thorough now.

We've been bought out so more product range.

With the inflation situation and I believe eventually the government are going to have to get banks to lend for new builds as we need houses certainly from April onwards.

With the power we have.

Confidence in the market:

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

18

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

Because of everything going on, reports, wars.

Because of the fuel price and problems with the war in Ukraine and all the factors that are causing problems.

Because of the situation with food and utility bills and everyone had most things done during the lockdown so now that we have slowly come out of that period.

Because prices gone up.

Because we are in recession now.

Cost of living.

Cost of living and prices.

Cost of living crisis it's impacted the housing industry.

Cost of living people's income or lack of.

During the Covid situation we were busier and now people are going on holidays and are not spending as much time at home. Heating bills and different things going on, people don't spend as much now.

Huge prices increases, distribution issues, economic issues, trading in general its disjointing the supply chain is disjointed.

I feel like because of the current situation with everyone at the minute and cost of living. Its affecting certain projects because people feel the need to prioritise and save money.

I just have become less confident, some of our biggest customers have less work on and aren't planning as far ahead.

Instability in the market.

Interest rates, falling house prices, general apathy cause by the governments actions.

It is already been predicted with a downturn on house building.

Just on the basis of higher interest rats and general confidence and the feedback from customers.

No one expected what has happened to happen, with the energy crisis.

Nobody knows what going to happen, uncertainty.

Nobody's got any money.

People just haven't got the money to do the wok anymore with rising prices and bills people are holding onto their money rather than getting work done.

Price increases.

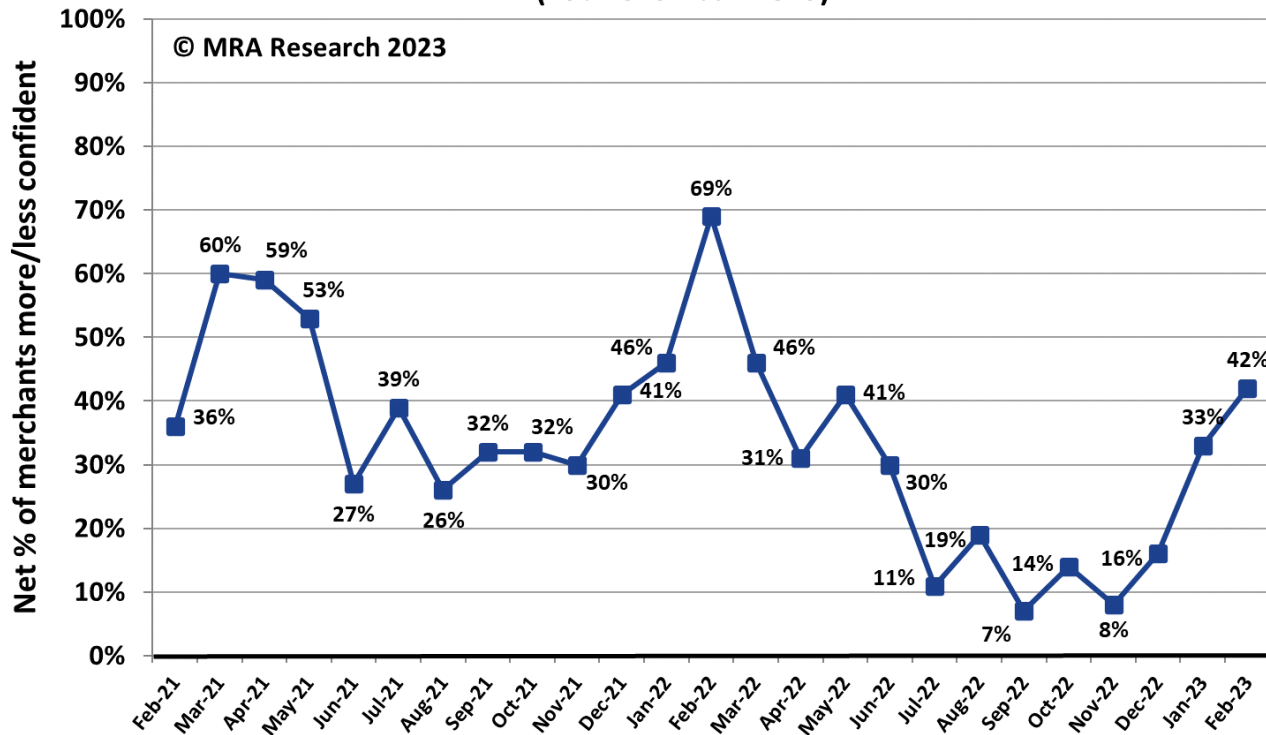
Recession it is hitting the building trade hard, and everyone is saving money, so they are feeling the pinch.

Retail just don't seem to be spending, there paying there instead and are more concerned about them.

Sales expected to be dropping this year.

Confidence in their own business: Month-on-Month

Confidence in their own business: Month-on-Month (Feb 2023 v Jan 2023)



Merchant confidence in the prospects for their own business continues to build with a net +42% now more confident month on month.

Confidence is strong across the board.

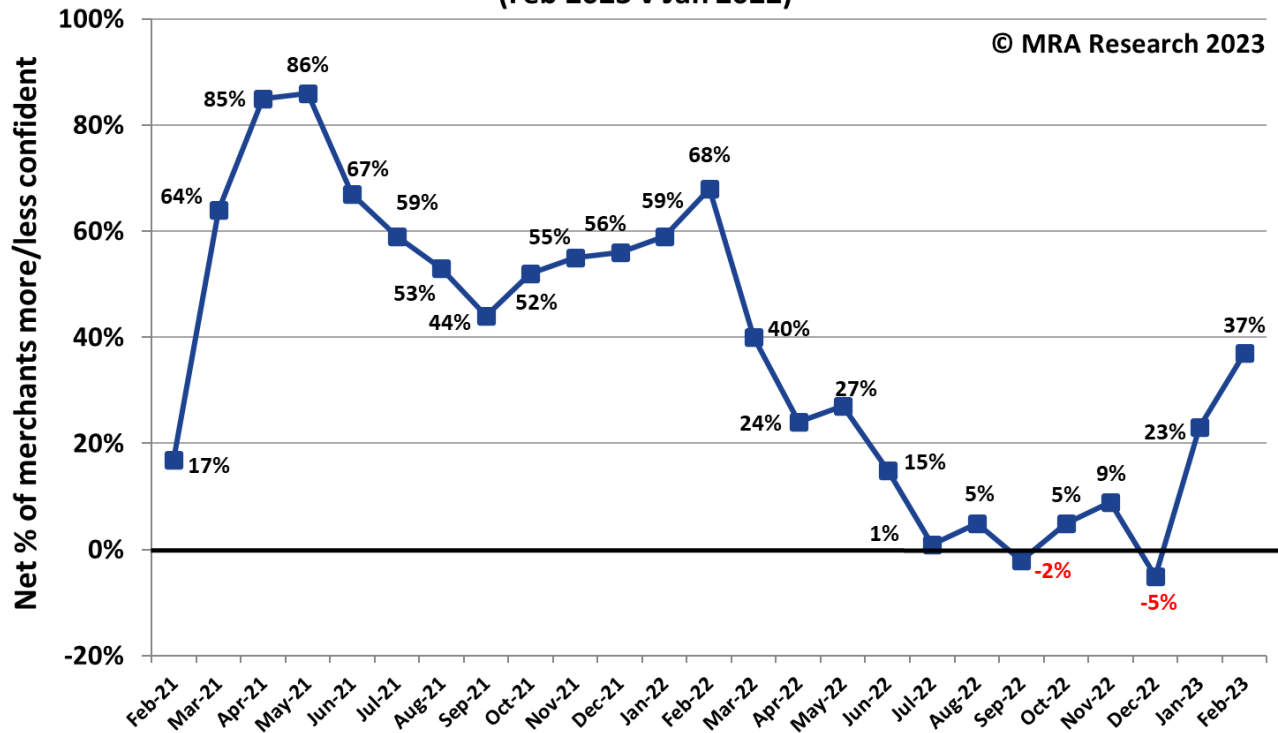
Scottish merchants are particularly confident (+53%).

Independents (+38%) and those in the South (+37%) are a little less confident.

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, 46% of merchants interviewed are more confident against 4% who are less confident. The net figure is +42% more confident.

Confidence in their own business: Year-on-Year

Confidence in their own business: Year-on-Year (Feb 2023 v Jan 2022)



Year-on-Year, Merchants' confidence in their own business has strengthened markedly to a net +37%.

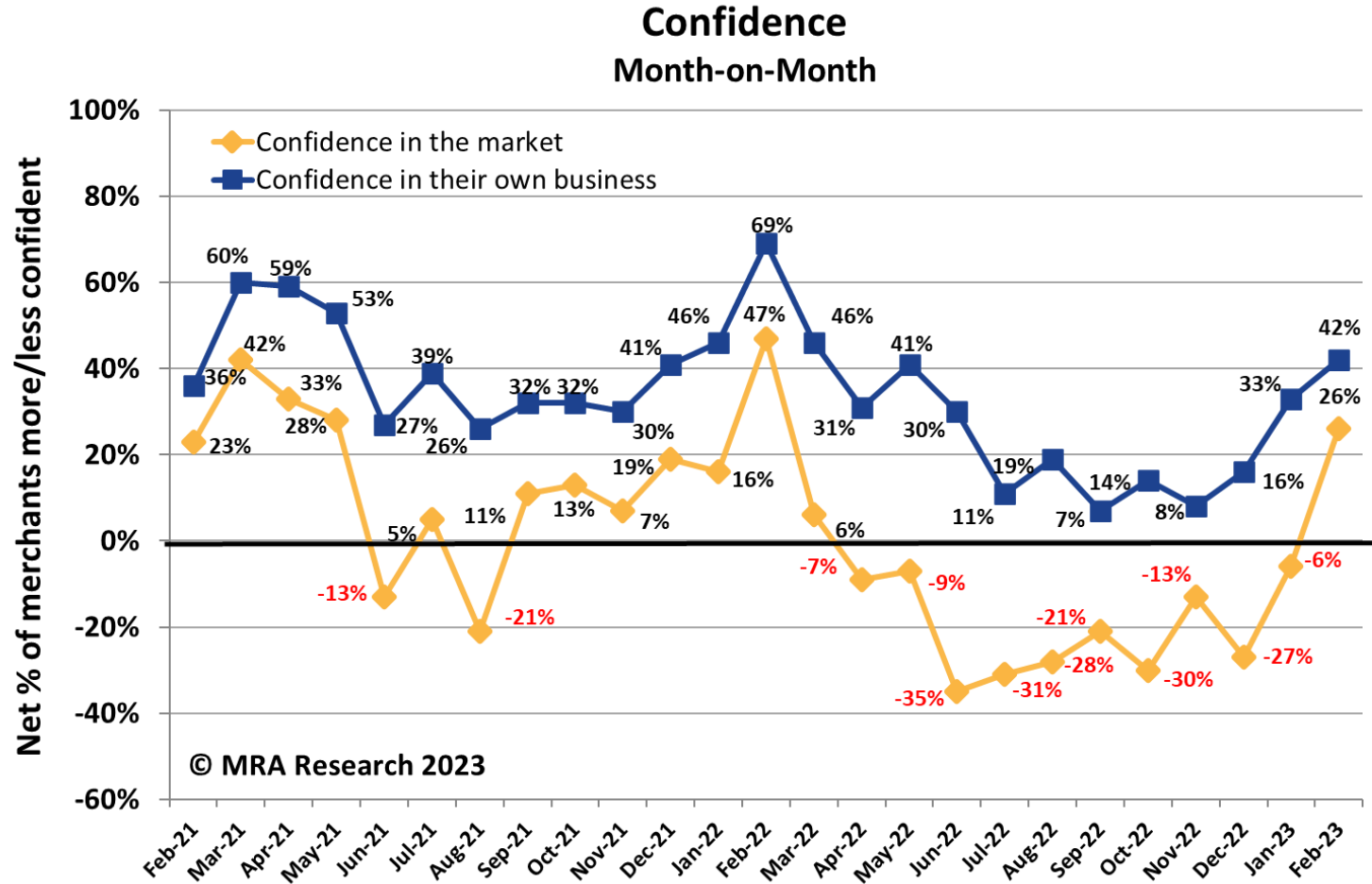
Large outlets (+50%) and Regionals (+47%) are the most confident.

Merchants in the South (+29%) are the least confident.

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, 50% of merchants interviewed are more confident against 13% who are less confident. The net figure is +37% more confident.

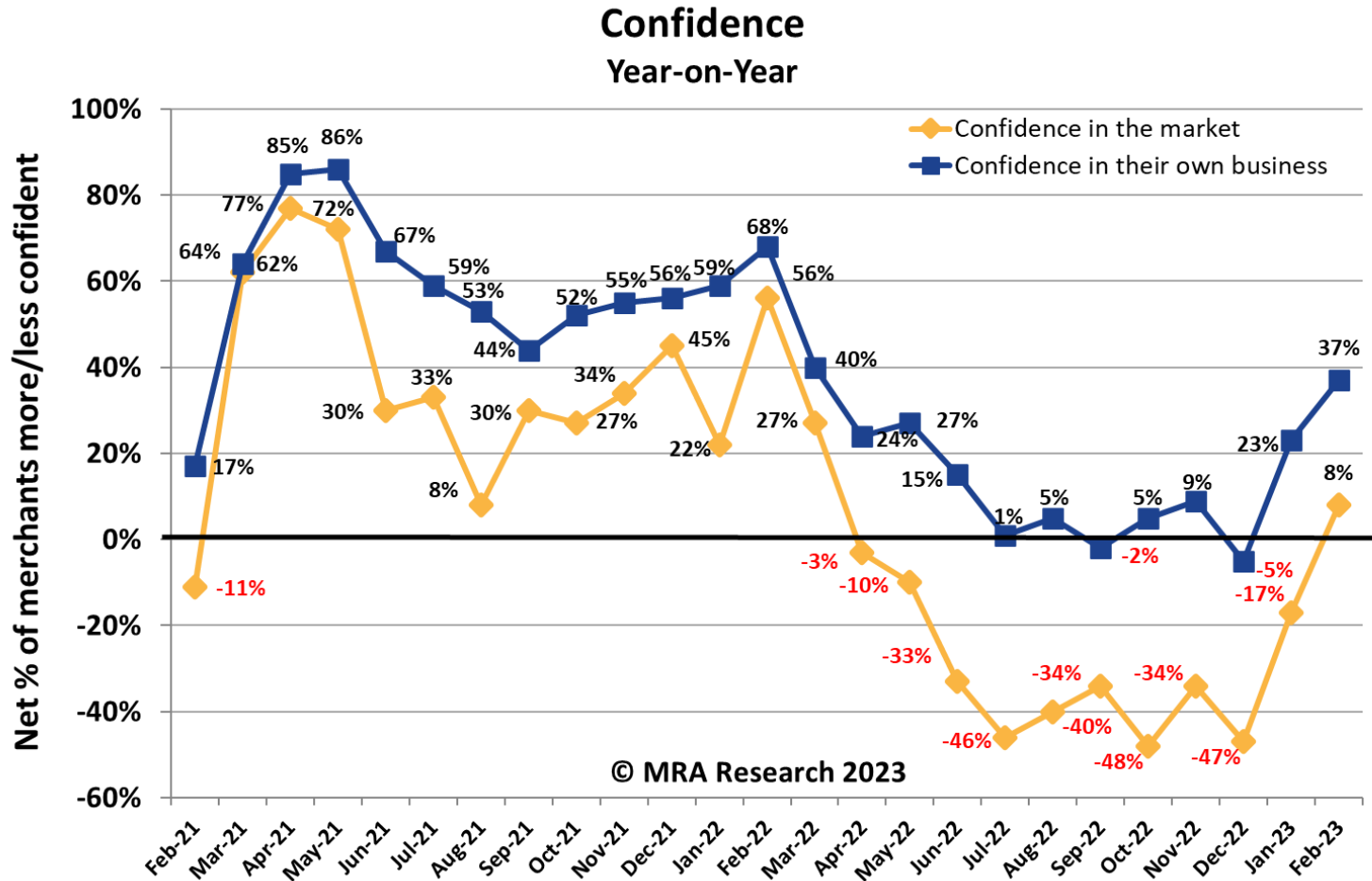
Confidence in the market v own business

Month-on-Month



Confidence in the market v own business

Year-on-Year



About The Pulse

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 46th in the series, with interviews conducted by MRA Research between 1st and 2nd February 2023 (2 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.

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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