



January 2023

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

The Pulse: Overview

Merchants start the New Year with a spring in their step

Despite continuing strong headwinds, and the steady drip of gloomy news from Westminster and Fleet Street, Merchant sales expectations for the first quarter, and the first half of the year, are unexpectedly robust.

Price rises are a continuing concern, but confidence in the market is rebuilding. Merchants' confidence in the prospects for their own businesses has bounced back very strongly.

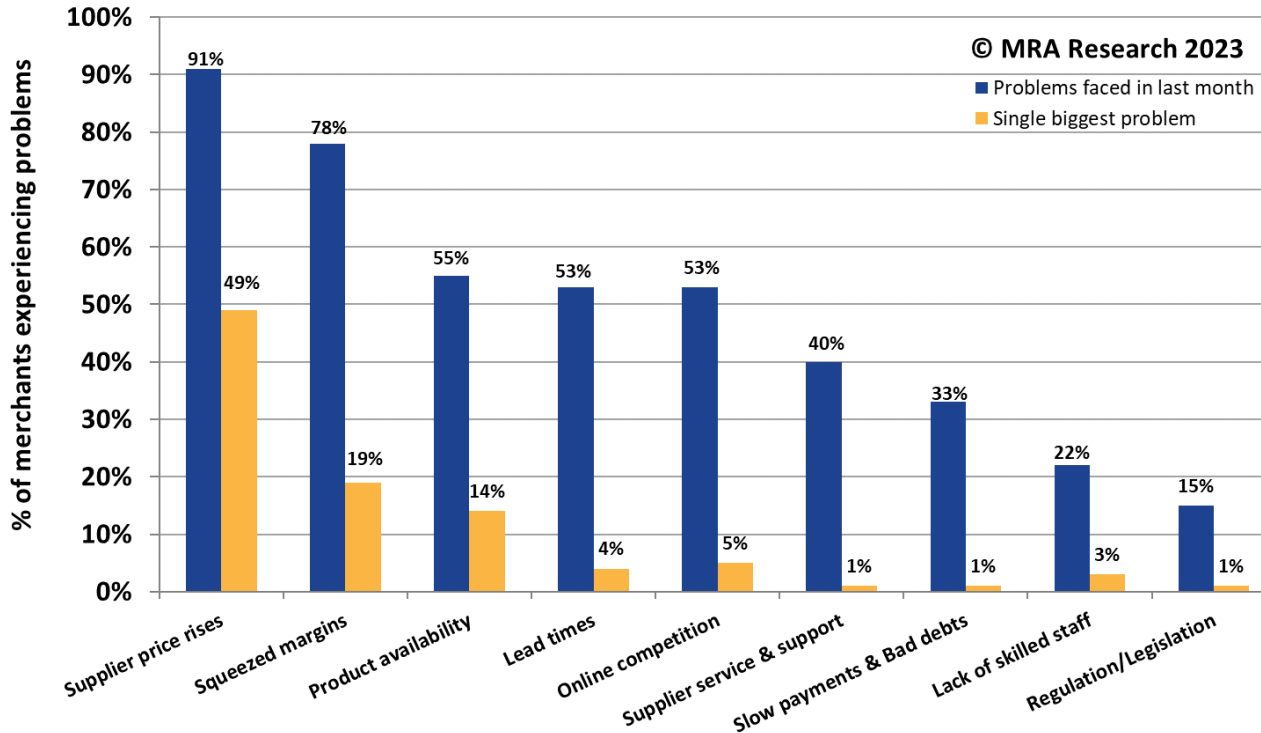
Looking ahead, we used the Builder's Merchants Omnibus Survey to ask merchants about the forecast loss of trade customers, as older tradespeople retire and are not replaced by a similar number of young tradespeople. Merchants seem poorly prepared for this demographic challenge.

The Pulse, by MRA Research, is a monthly tracking survey of merchants' confidence and prospects. Telephone interviewing took place between 4th and 6th January 2023 (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 24-26.

Problems for merchants in the last month

Problems faced by merchants in the last month



Merchants continue to battle challenges on multiple fronts.

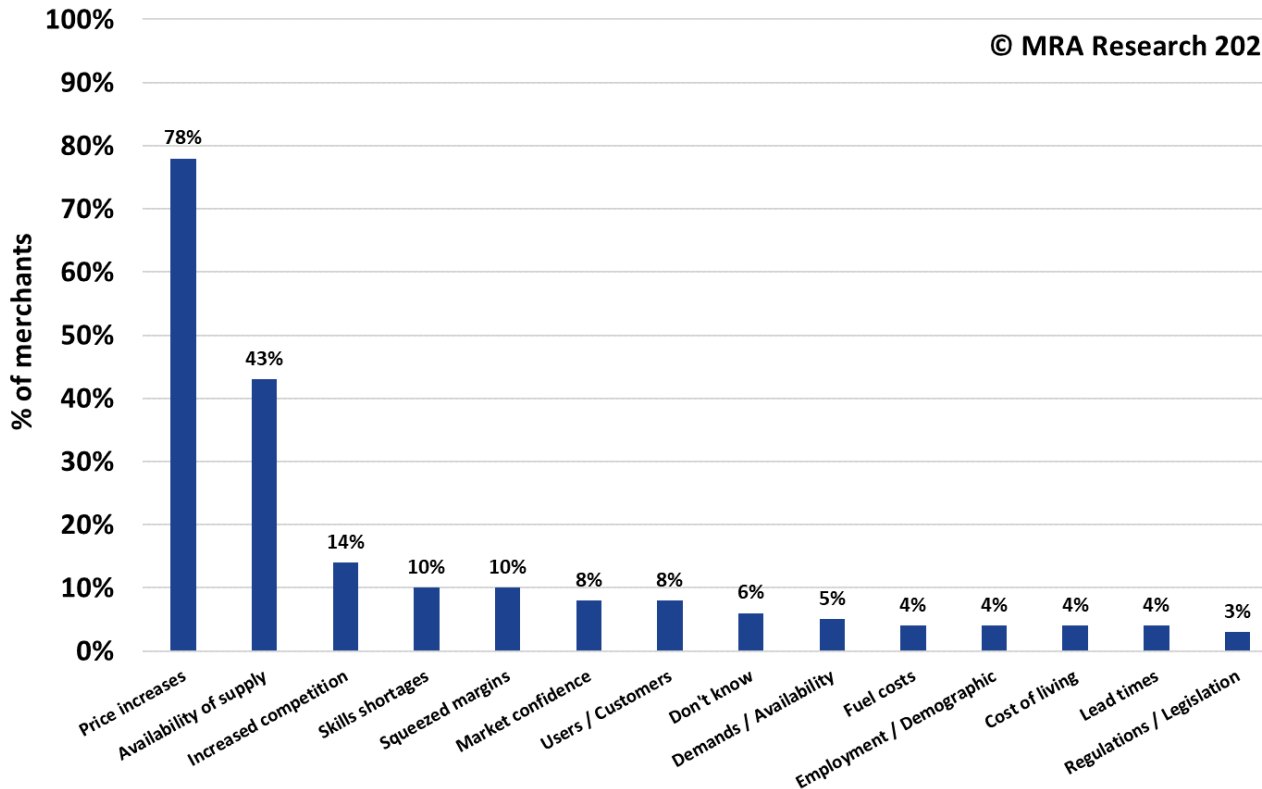
Supplier price rises are a problem for 9 in 10 (91%) with squeezed margins a problem for almost 8 in 10 (78%).

Supplier price rises are the single biggest problem for nearly 1 in 2 merchants (49%).

The most important challenges for construction today

The most important challenges for the construction industry today

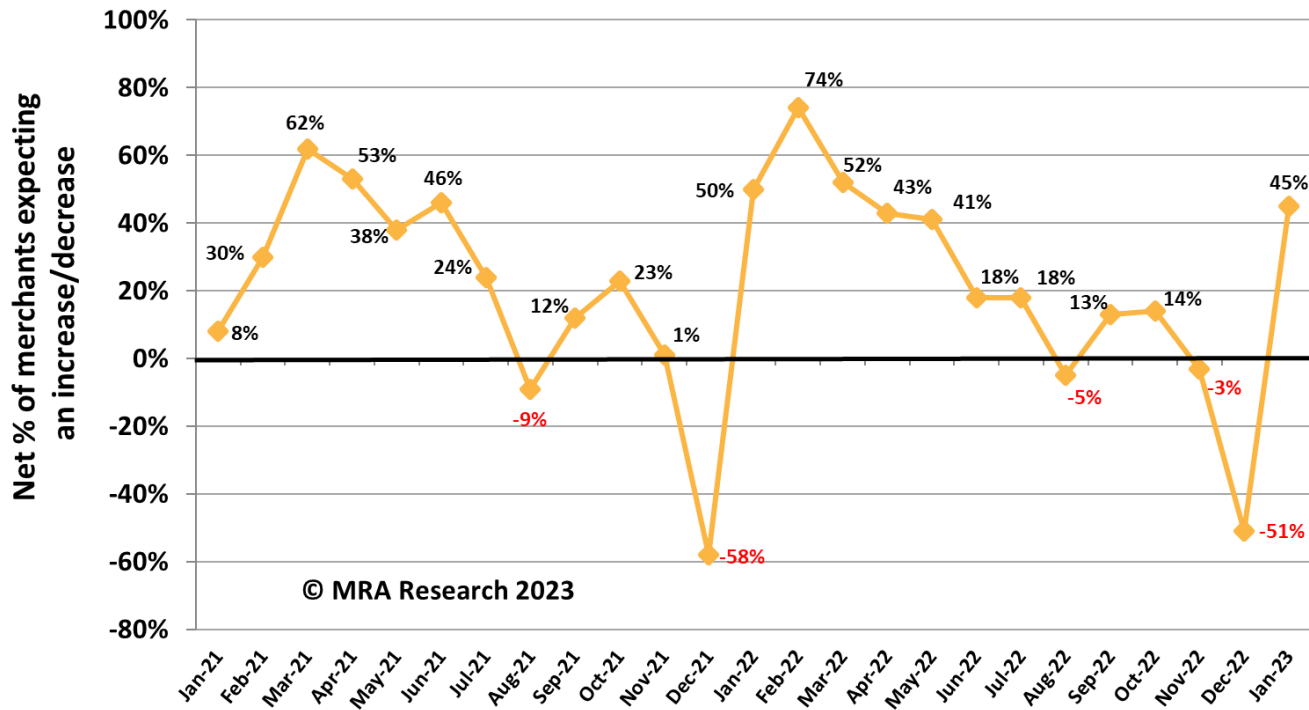
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Merchants see price increases (78%) and supply availability (43%) as the most important challenges for construction.

Sales Expectations...1

Sales Expectations : Month-on-Month
Jan 2023 v Dec 2022



Sales expectations bounced back significantly in January compared to December (from a net -51% to a net +45%).

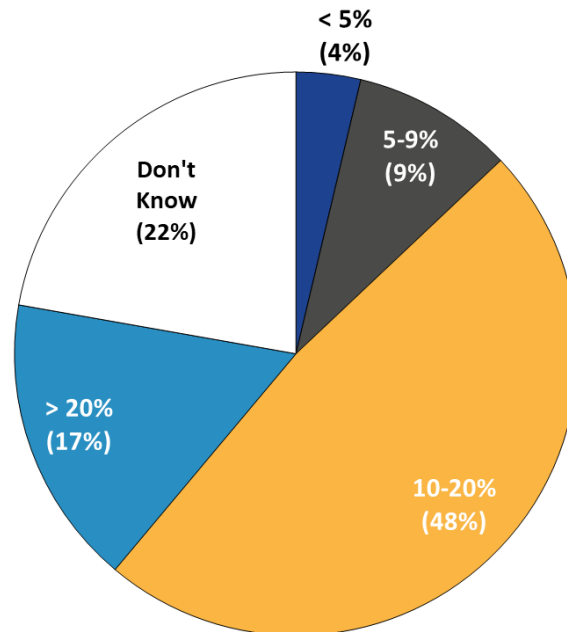
Expectations are particularly strong in the Midlands (+65%), in large outlets (+55%) and Nationals +54%).

Independents (+25%) and Merchants in Scotland (+20%) have lower 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, 54% of merchants interviewed expect growth against 9% who expect a decline. The net figure is +45% expecting growth.

Sales Expectations...2

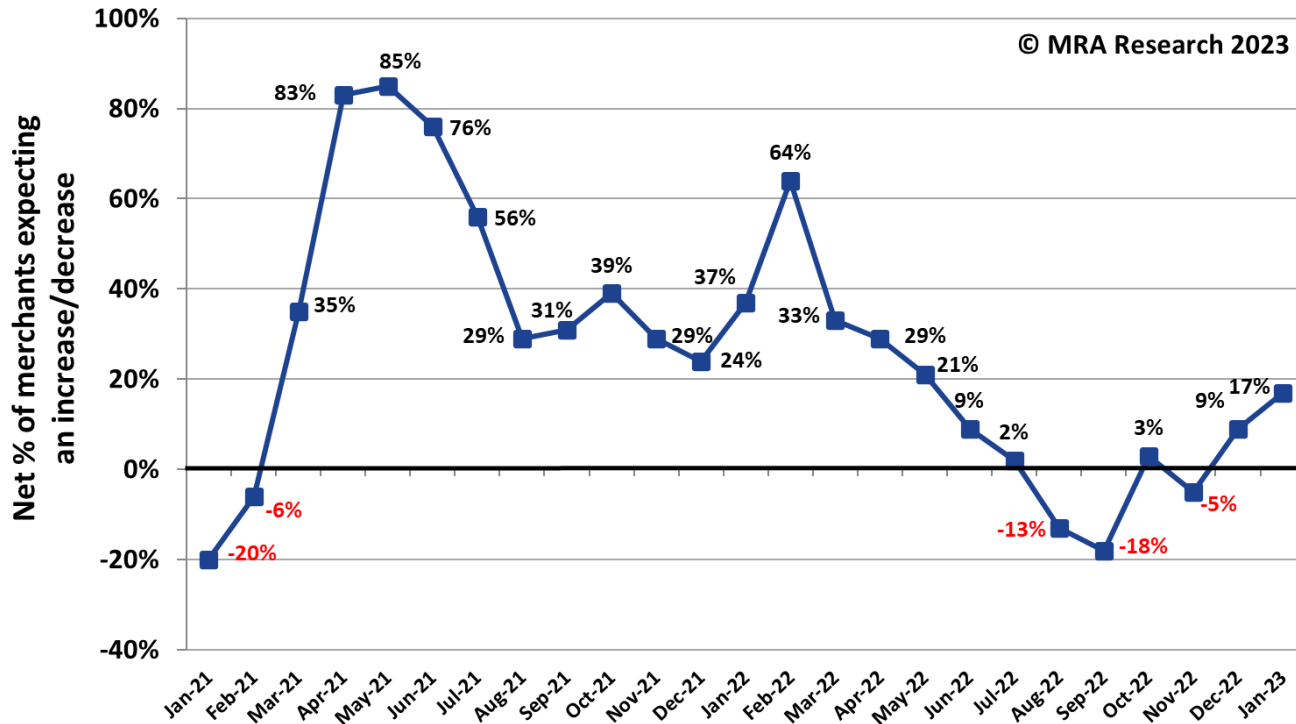
Sales Expectations: % Increase
Jan 2023 v Dec 2022



Although just over 1 in 10 (13%) of the merchants expecting sales to increase in January compared to December expect sales to grow by less than 10%, nearly half (48%) expect sales to increase by 10 to 20%, and 17% expect an increase of over 20%.

Sales Expectations...3

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



Compared with January 2022, sales expectations are significantly up this January (net +17%).

Expectations are strongest among Large outlets (+64%) and Nationals (+34%).

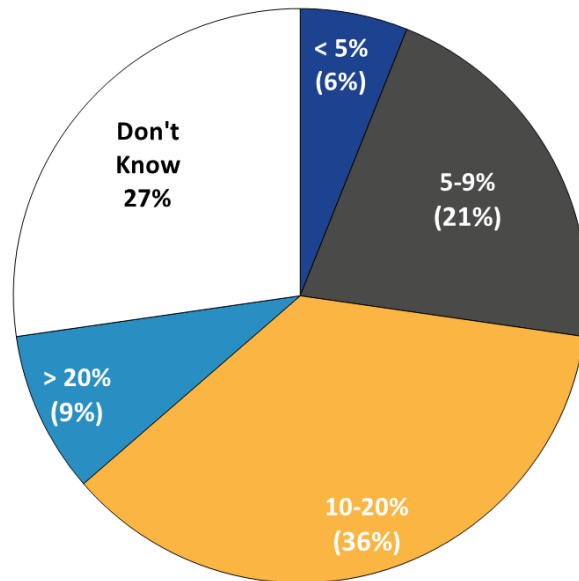
Merchants in the Midlands (+23%) and the South (+29%) anticipate sales growth.

In the North and Scotland merchants are more balanced with an equal number expecting increases as decreases (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, 33% of merchants interviewed expect growth against 16% who expect a decline. The net figure is +17% expecting growth.

Sales Expectations...4

Sales Expectations: % Increase
Jan 2023 v Jan 2022



Just over 1 in 4 (27%) of those expecting sales to increase in January, compared to the same month in 2022, expect modest increases of up to 9%.

But over a third (36%) expect sales to increase by 10 to 20%. And almost 1 in 10 (9%) expect growth of more than 20%.

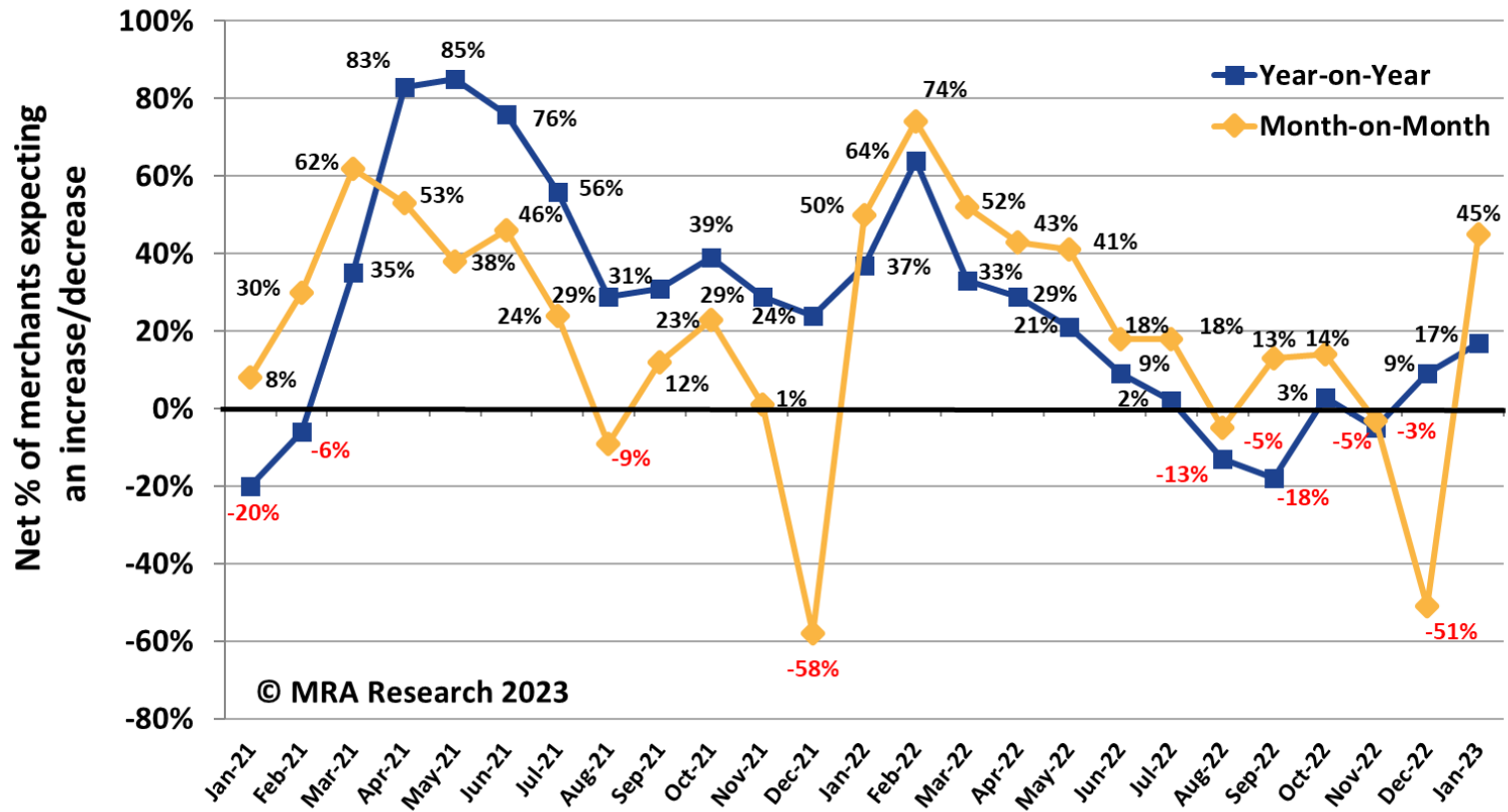
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Base: 33

Sales Expectations

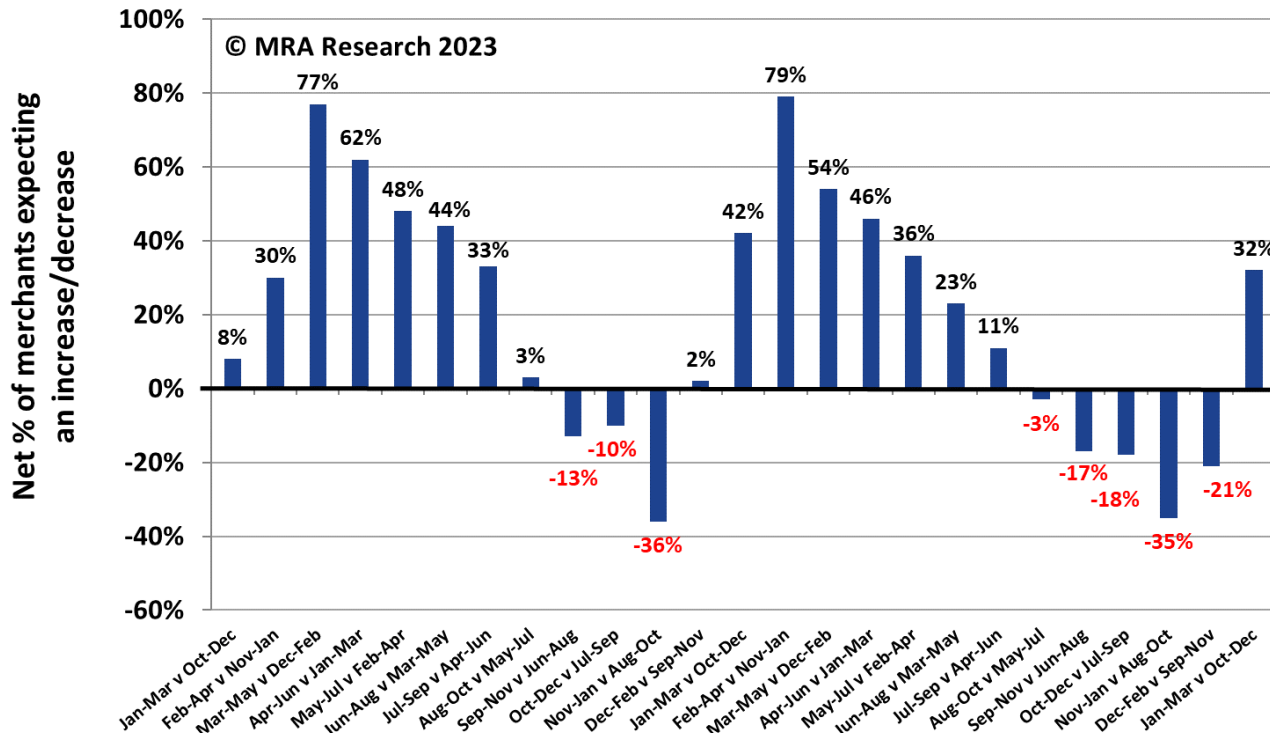
Month-on-Month v Year-on-Year

Sales Expectations



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

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



A net +32% of Merchants expect sales to improve in Jan-Mar compared to the previous three months. This is the first time Merchants have forecasted growth in 5 months.

Except for Independents, who expect no change, all types and size of Merchants expect growth.

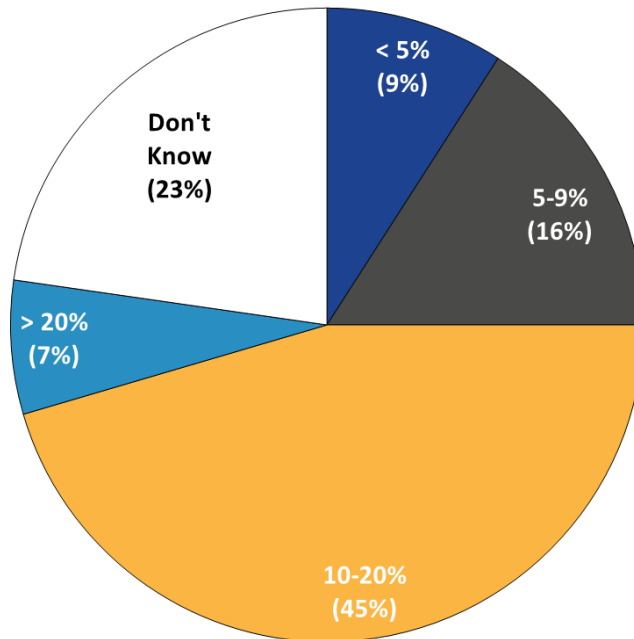
Merchants in the Midlands (+50%) and South (+39%) expect to grow. Fewer merchants expect growth in Scotland (+20%) and the North (+5%).

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, 44% of merchants interviewed expect growth against 12% who expect a decline. The net figure is +32% expecting growth.

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

11

Sales Expectations: % Increase
Next 3 months (Jan-Mar 2023) v Previous 3 months (Oct-Dec 2022)



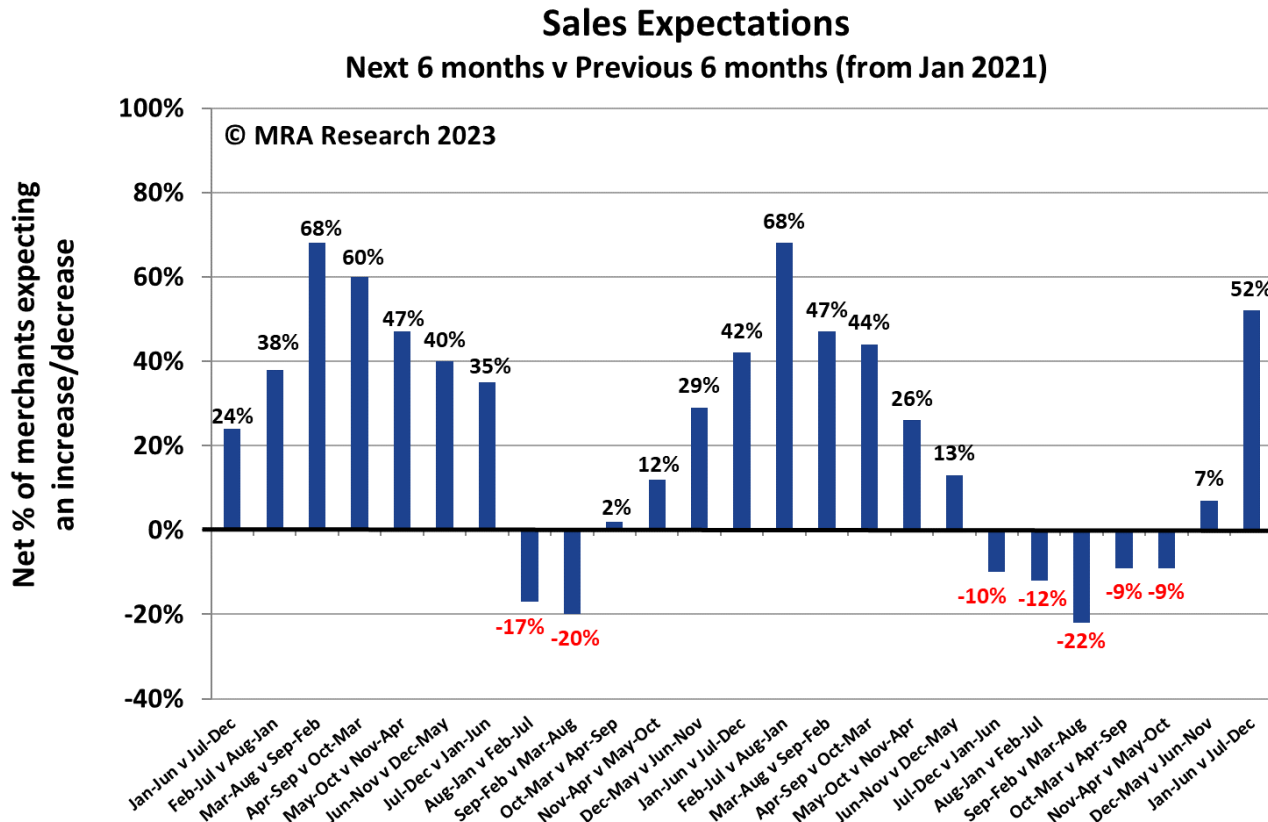
A quarter of those expecting sales to grow (25%) say they will grow by less than 10%.

But over half expect to grow by more than 10%.

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Base: 44

Sales Expectations: The next six months...1



Looking six months ahead, a net +52% of merchants expect sales to increase in the six months January 2023 to June 2023 compared to the previous six months.

All regions expect growth. Merchants in the Midlands (+69%) and South (+63%) have the highest expectations. Fewer in Scotland (+20%) and the North (+33%) expect growth.

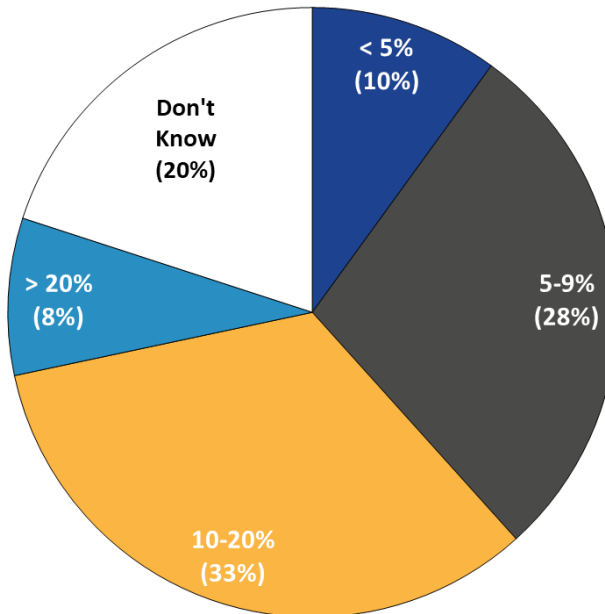
Nationals (+63%) and Large outlets (+82%) are strongest.

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 8% who expect a decline. The net figure is +52% expecting growth.

Sales Expectations: Next six months...2

13

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



One in ten (10%) merchants expecting higher sales in the next six months expect to increase by less than 5%.

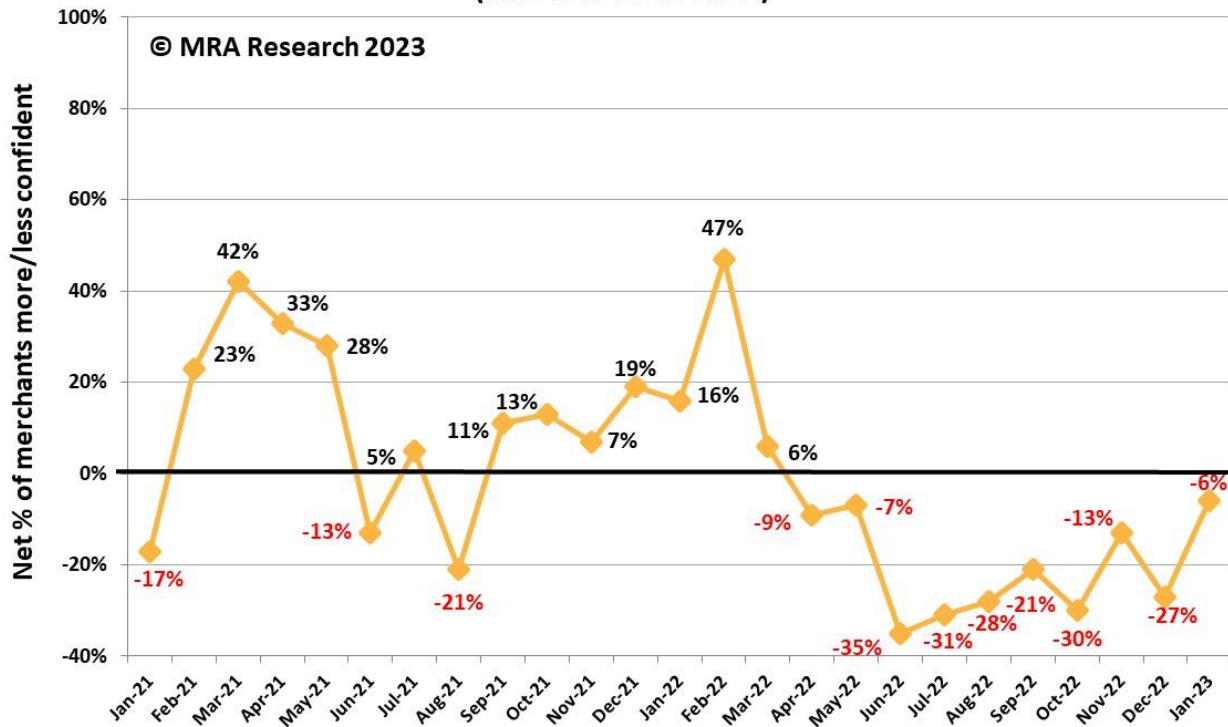
But just over a quarter (28%) expect an increase of 5 to 9%. And a third (33%) expect growth of 10% to 20% with 8% expecting growth of more than 20%.

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Base: 60

Confidence in the market: Month-on-Month

Confidence in the market: Month-on-Month (Jan 2023 v Dec 2022)



From a low point of -35% last June merchants' confidence in the market has been recovering, bouncing back from -27% in December to a net -6% in January.

Confidence is particularly strong in Large outlets (+27%).

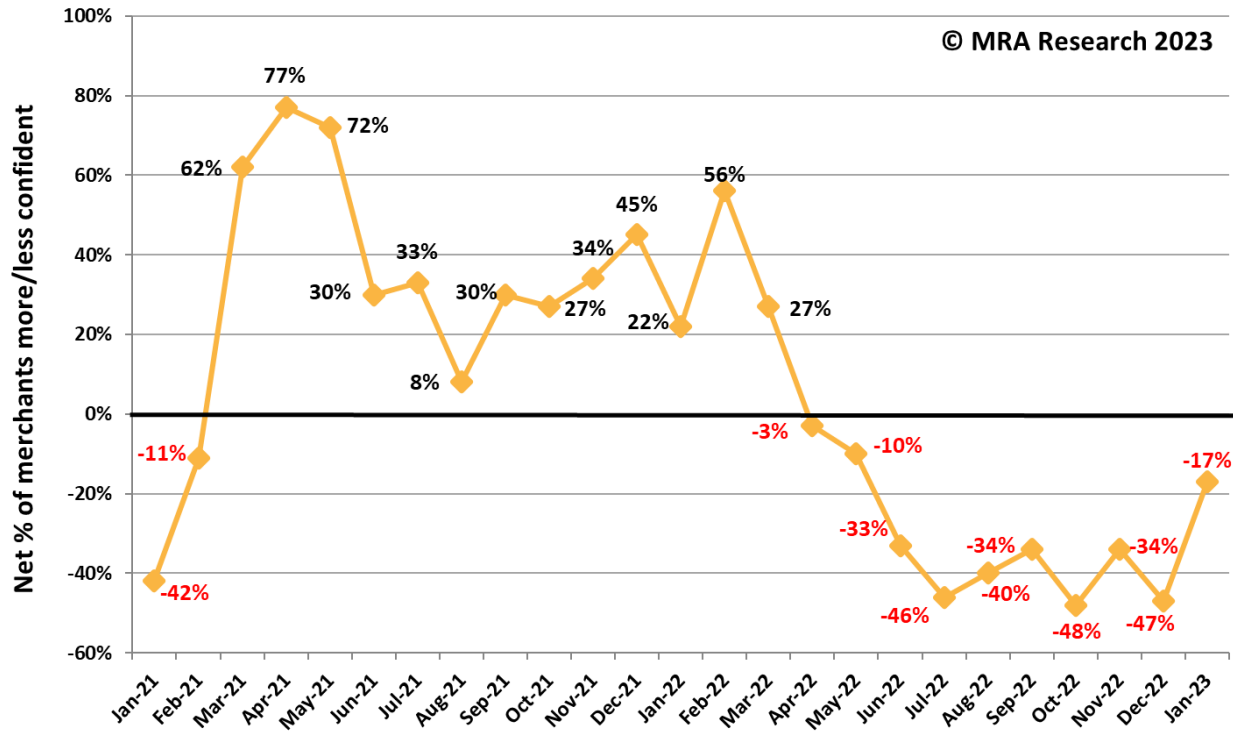
Merchants in Scotland (+13%) are more confident than in the South (-16%) and the North (-10%). An equal number of merchants in the Midlands are now more and less confident in the market (net 0%).

Confidence is weak among Nationals (-11%). Regionals (-2%) and Independents (-5%) are more 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 23% who are less confident. The net figure is -6% less confident.

Confidence in the market: Year-on-Year

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



Year-on-year, confidence in the market has rebuilt significantly from a net -47% last month. A net -17% of merchants are less confident in the market at the start of January than they were in January 2022.

Market confidence remains low year on year across all sizes of outlet, regions and types of merchant.

Nationals (-11%) are most confident.

Independents (-25%), and Merchants in the North (-43%) 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, 28% of merchants interviewed are more confident against 45% who are less confident. The net figure is -17% less confident.

Confidence in the market:

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

16

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

A couple of customers in the next few months will be starting new projects.

A lot of the suppliers have a better handle now than last years.

As people will be doing more extensions and renovations.

Away from covid, work is going to increase.

Due to covid.

Going off the last 12 months.

Increase in general knowledge.

It's more of a personal thing as we have been bought out by a bigger company.

Just because we provide more training and feel I can do a better job.

Just understanding more of what's going on and understanding the sales.

More of a better customer base, more across the board, more of a basket.

Out of covid so more busy working.

Prices and supply chain are starting to settle down now.

Prices have evened out things were up in the air due to covid more stable now.

Pricing last year was ridiculous because of lockdown, couldn't get the stuff before.

Probably because we have got better management and our company has significantly improved in the last 2 months, everything is just new and been restructured and we are very stable.

Seems to be less material shortages than there were last year. Stock more readily available

Seems to have sustained. Some of the costs have gone up however overall, it's levelled out.

Settled down, covid etc...

Supply is easier to get hold of than last year.

There is a market out there you have to start somewhere. People are skeptical but people will get on with it and feel it can be put right.

There were a lot of issues at this time last year and I think we are more capable of dealing with them sort of issues going forward.

There's product that were getting again. More boilers that were out of stock, better stock now so hopefully sell them.

Confidence in the market:

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

17

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

Availability of product.

Basically, a lot of prices have gone up and how the government is at the moment with things going on.

Because the cost of living has got worse.

Consumer spending is down.

Cost of living.

Cost of living.

Cost of living and in general.

Cost of living and supplier price increases.

Cost of supply is always increasing.

Costs of materials, importing and exporting.

Covid made us quite busy, so I think last year we were still in half lockdown, and we were pretty busy.

Due to the economy state of the country.

Due to the price increases.

Everything what's going on no body spending money possible recession.

Gas prices, travel prices, cost of living, people not having much money to spend.

General market unpredictable.

I mean sort of the increases we've seen across the board coupled with the state of the economy everybody seems to be avoiding, that's going to have an effect on spending.

I'm just seeing the amount of quotes we are doing dropping off, people being more cautious with spending and with food and utility prices increasing people are starting to tighten their belts.

Increase of cost of living.

Increase of inflation as well as mortgage rates going up and the war. None of these things were a problem this time last year

Inflation, everyone is scared to spend, there is uncertainty with inflation.

Just because of all the price increases and electric and utility bills and interest and mortgages.

Just because of price increases.

Just cost of living.

Just general and what people spend and what spend they have available to spend and things will slow down and could be a hard bleak year.

Just with the recession and cost of living as everything is going up.

Just with what you keep hearing on the news a lot of price increases from manufacturers and everything is tighter for everyone out there and will probably affect our business.

Confidence in the market:

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

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Major challenge was supply chain which was eased off but is unpredictable.

New PM who doesn't have a clue and cost of living, inflation and mortgage rates. People have less money to spend.

Our customers are unsure and some of them are delaying projects till the 2nd half of the year.

People saving, all of the inflation people are experiencing.

Price increases.

Price rises with electric and everything else.

Prices and builders working plus the market slowing down.

Rising prices and the cost of living.

Same uncertainty, demand was higher but less confident.

Some supply issues have been resolved however people do not have the money to spend.

State of the country and economy.

The cost of everything.

The cost of living.

The rise in prices of everything.

The Ukraine war hadn't happened last year which made a big difference.

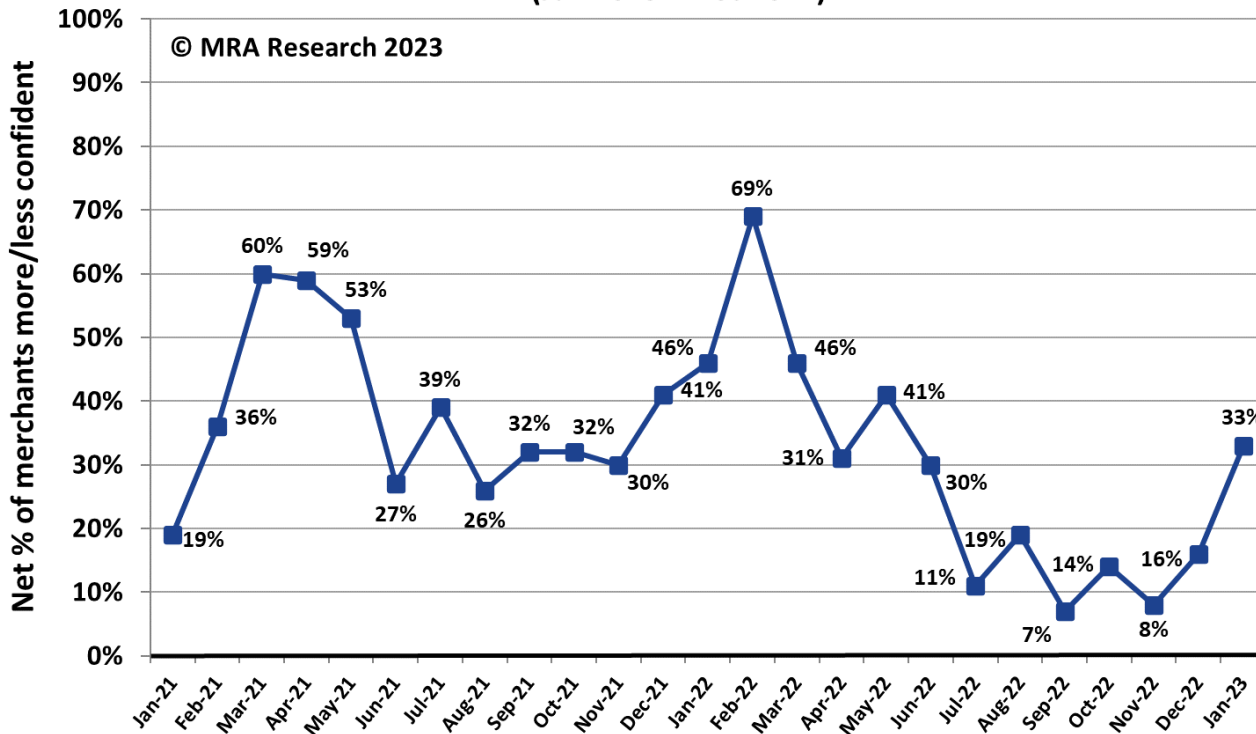
We were still within covid but now bit more known as to what is happening.

We're in England.

We're not doing anything to help things better.

Confidence in their own business: Month-on-Month

Confidence in their own business: Month-on-Month (Jan 2023 v Dec 2022)



While Merchants lack confidence in the market, they are consistently more confident in the prospects for their own business with a net +33% now more confident month on month.

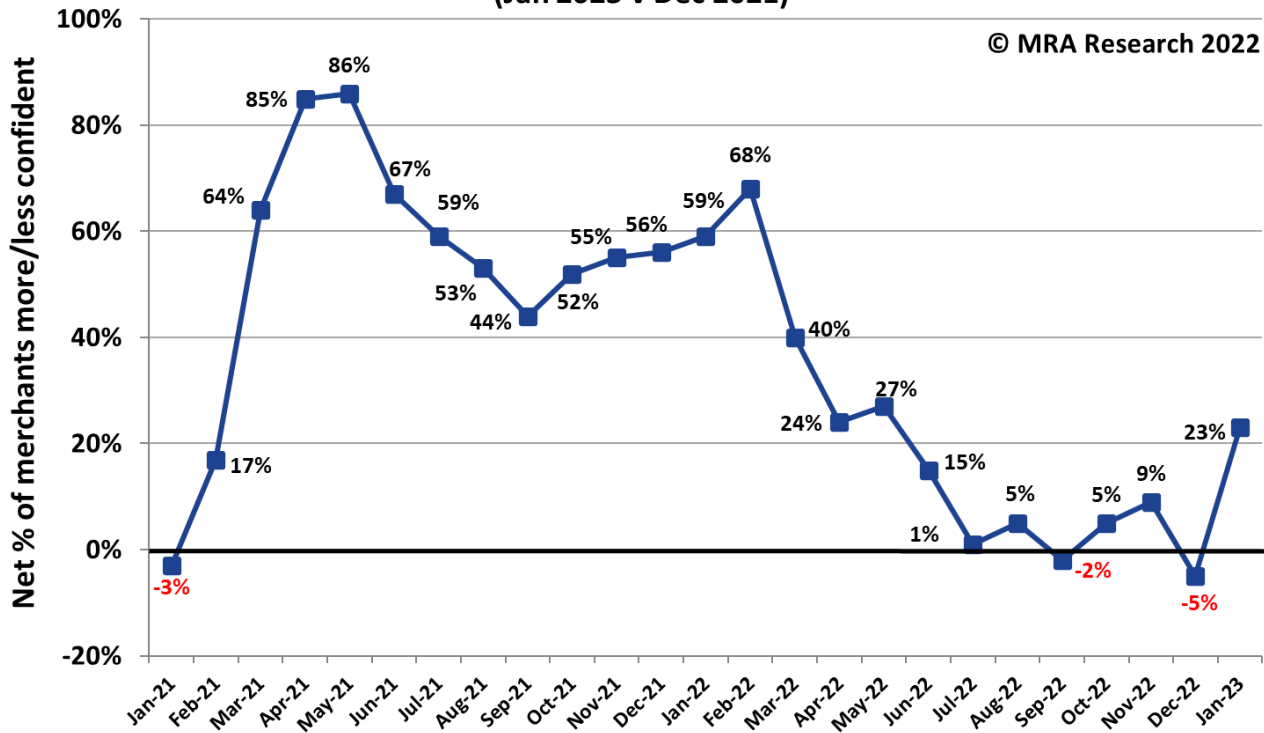
Nationals (+43%) and Regionals (+31%) are most confident, but Independents are also confident in their own business (+20%).

All types of Merchant in all regions are 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, 39% of merchants interviewed are more confident against 6% who are less confident. The net figure is +33% more confident.

Confidence in their own business: Year-on-Year

Confidence in their own business: Year-on-Year
(Jan 2023 v Dec 2021)



Year-on-Year, Merchants' confidence in their own business has recovered to a net +23%.

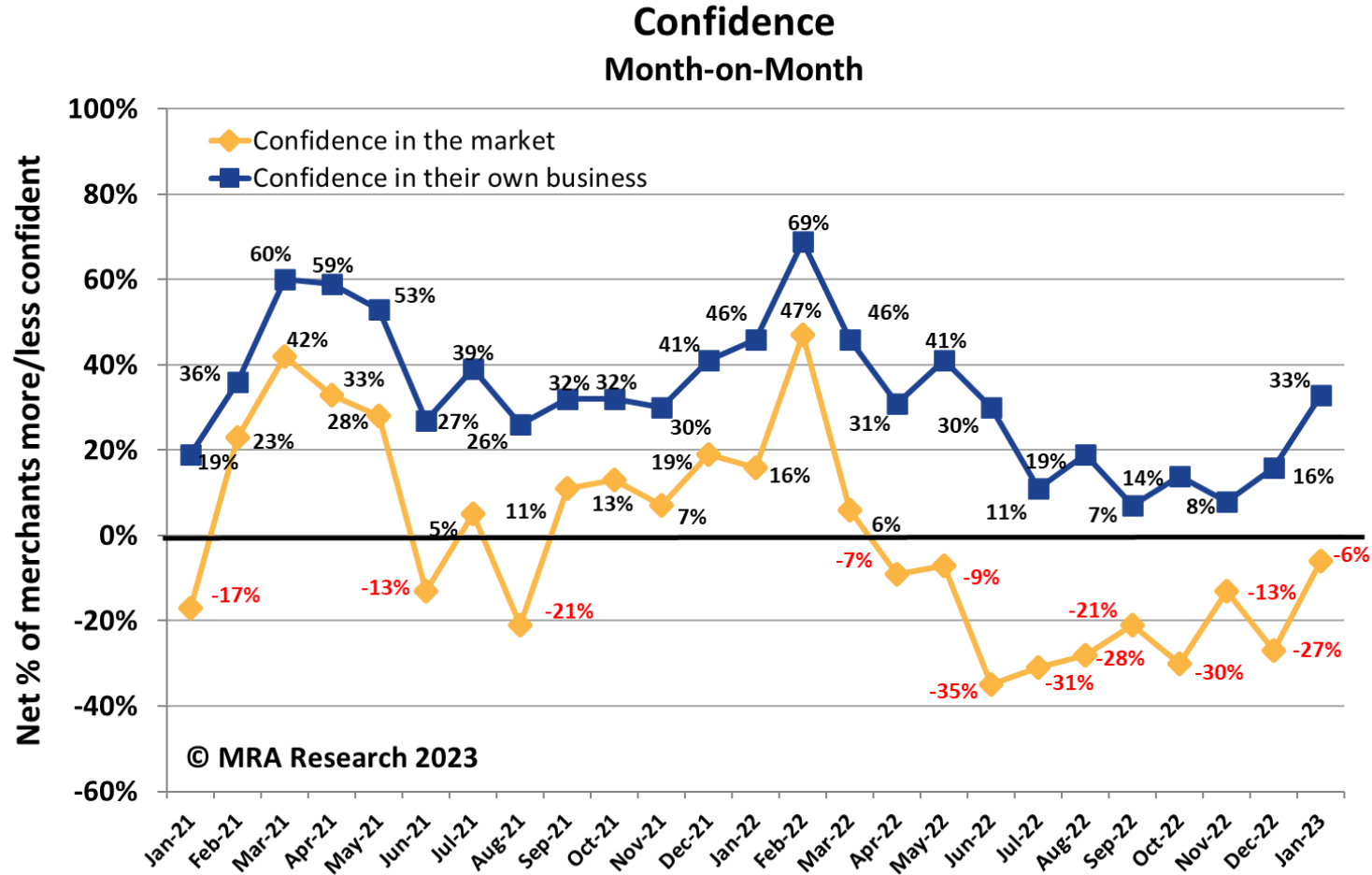
Nationals (+46%), Large outlets (+36%) and the Midlands (+42%) are the most confident.

But a net -5% of Independents 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, 38% of merchants interviewed are more confident against 15% who are less confident. The net figure is +23% more confident.

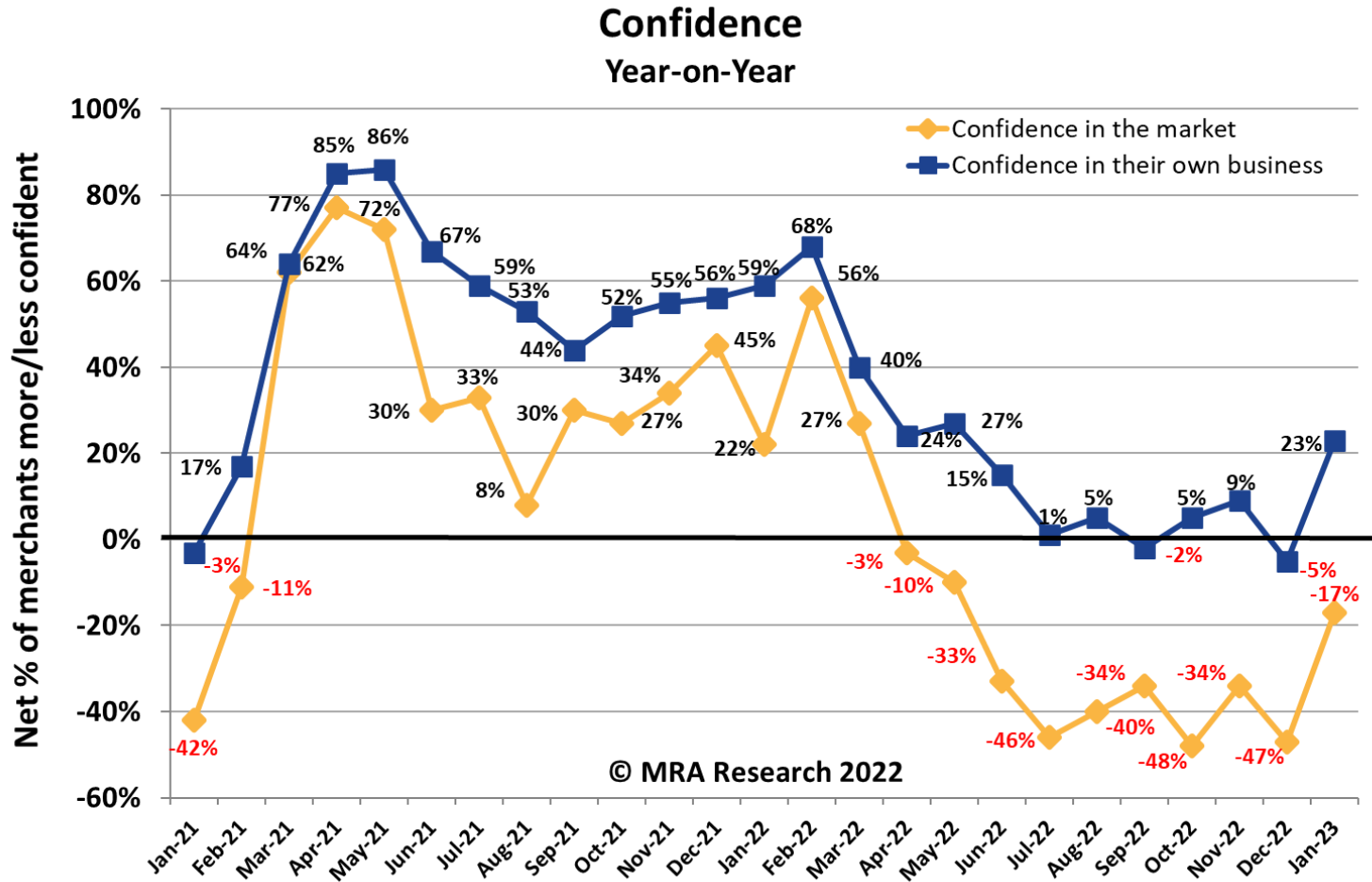
Confidence in the market v own business

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 45th in the series, with interviews conducted by MRA Research between 4th and 6th January 2023 (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 January focused on skills shortages. See slides 26-28 for the results.

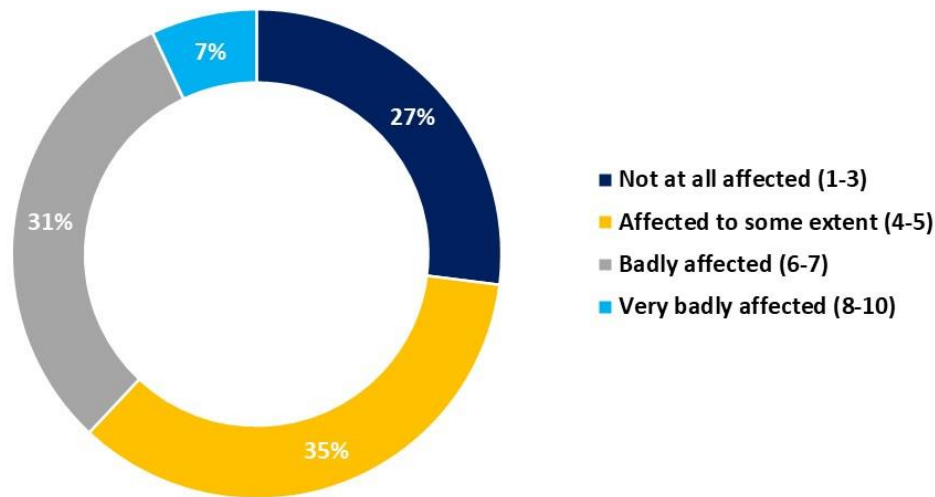
Talk to Yvette Kirk, MRA Research Project Director on 07918 272936 or email yvette@mra-research.co.uk Create your own survey now - with results 2 working days after fieldwork.

Omnibus questions about the forecast loss of customers...1

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Over recent years surveys have confirmed that a high proportion of tradespeople plan to retire within 5-10 years while the numbers of young tradespeople in the industry is too low to replace them.

On a scale of 1 to 10 where 1 is Not at all affected and 10 is Very badly affected, to what extent will your business be affected?



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Base: 100

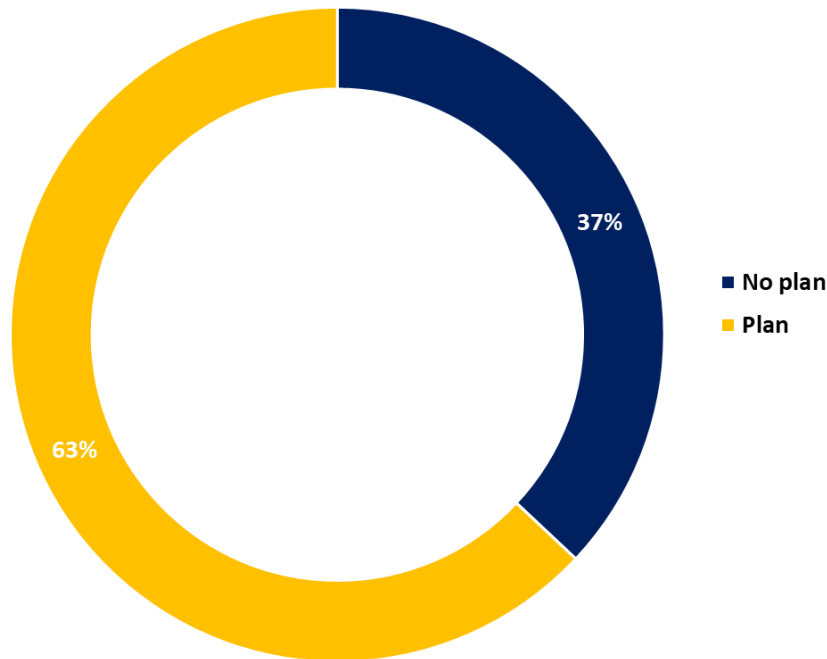
Almost 4 in 10 Merchants (38%) say their business will be badly (31%) or very badly (7%) affected by a forecast shortage of trade customers.

More than a quarter (27%) believe their business will be largely unaffected.

Omnibus questions about the forecast loss of customers...2

26

Does your business have a ...1 year plan, 3 year plan, 5 year plan?



Just over 6 in 10 Merchants (63%) say they have a plan to cope with the forecast shortage of trade customers, set out in 1, 3 or 5-year plans.

Just over half (54%) the merchants who had a plan were not able to give any details of the plan.

Nearly 4 in 10 (37%) don't know if they have a plan for the forecast loss of customers.

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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.



Winners 22 times 2002-2022
 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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