



the Pulse
Expectations. Prospects. Confidence.

May 2023

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

The Pulse: Overview

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Merchants' sales expectations are strong but their confidence in the market is weakening

Builders' merchants' sales expectations are robust for the short and medium-term despite some easing.

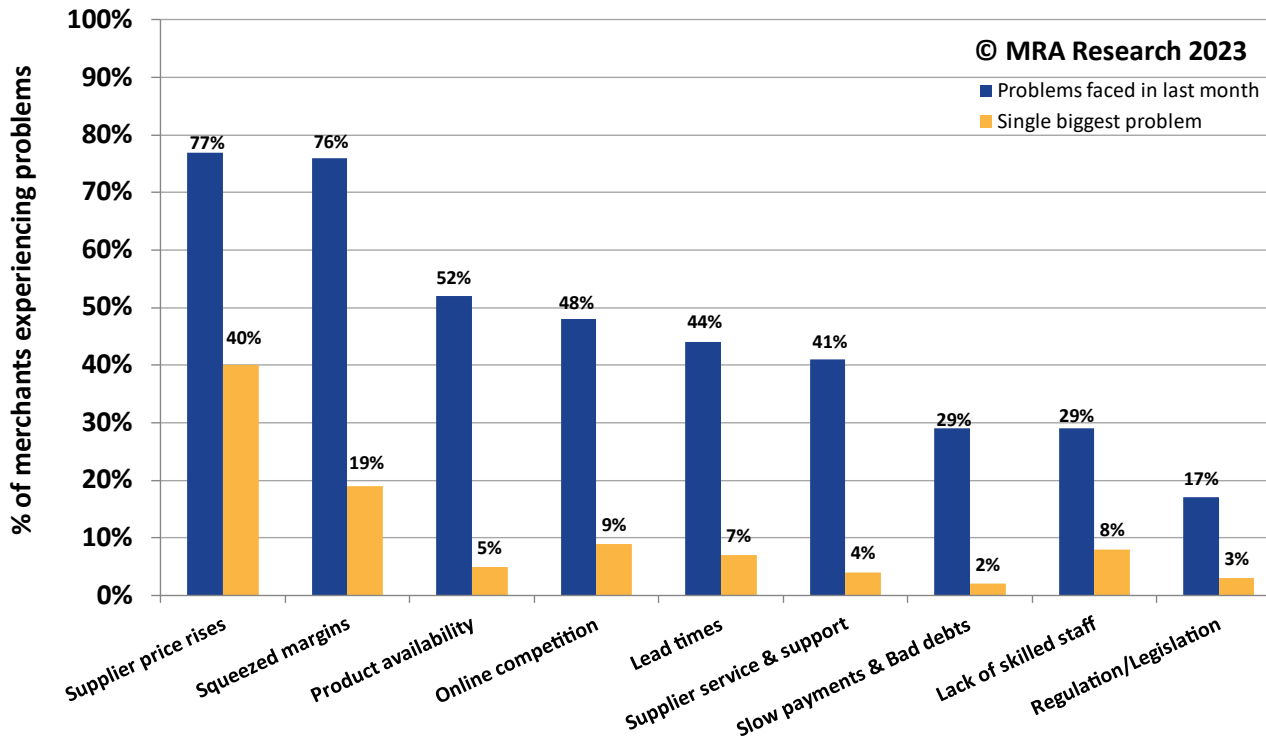
But a relentless stream of price rises is squeezing Merchant margins. Product availability is still a problem.

Merchants' confidence in the market is weakening but their confidence in their own business stays strong.

The Pulse, by MRA Research, is a monthly tracking survey of merchants' confidence and prospects. Telephone interviewing took place from the 2nd to the 4th May 2023 (3 working days).

Merchants' problems in the last month

Problems faced by merchants in the last month

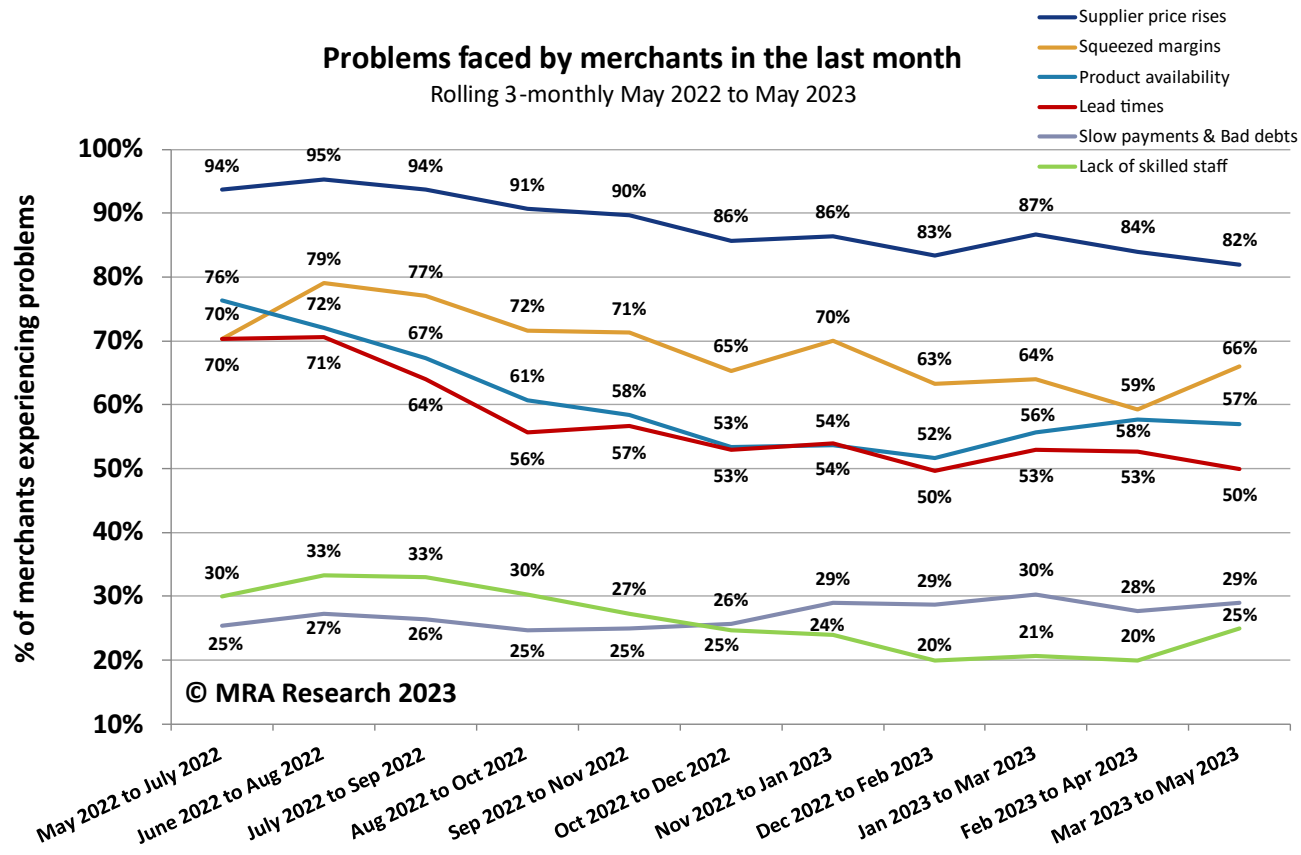


Supplier price rises (77%) and Squeezed margins (76%) are a problem for 3 in 4 merchants.

Product availability (52%), online competition (48%) and Lead times (44%) are problems for around one in two merchants.

But Supplier price rises remain the single biggest problem (40%).

Trends in merchants' problems



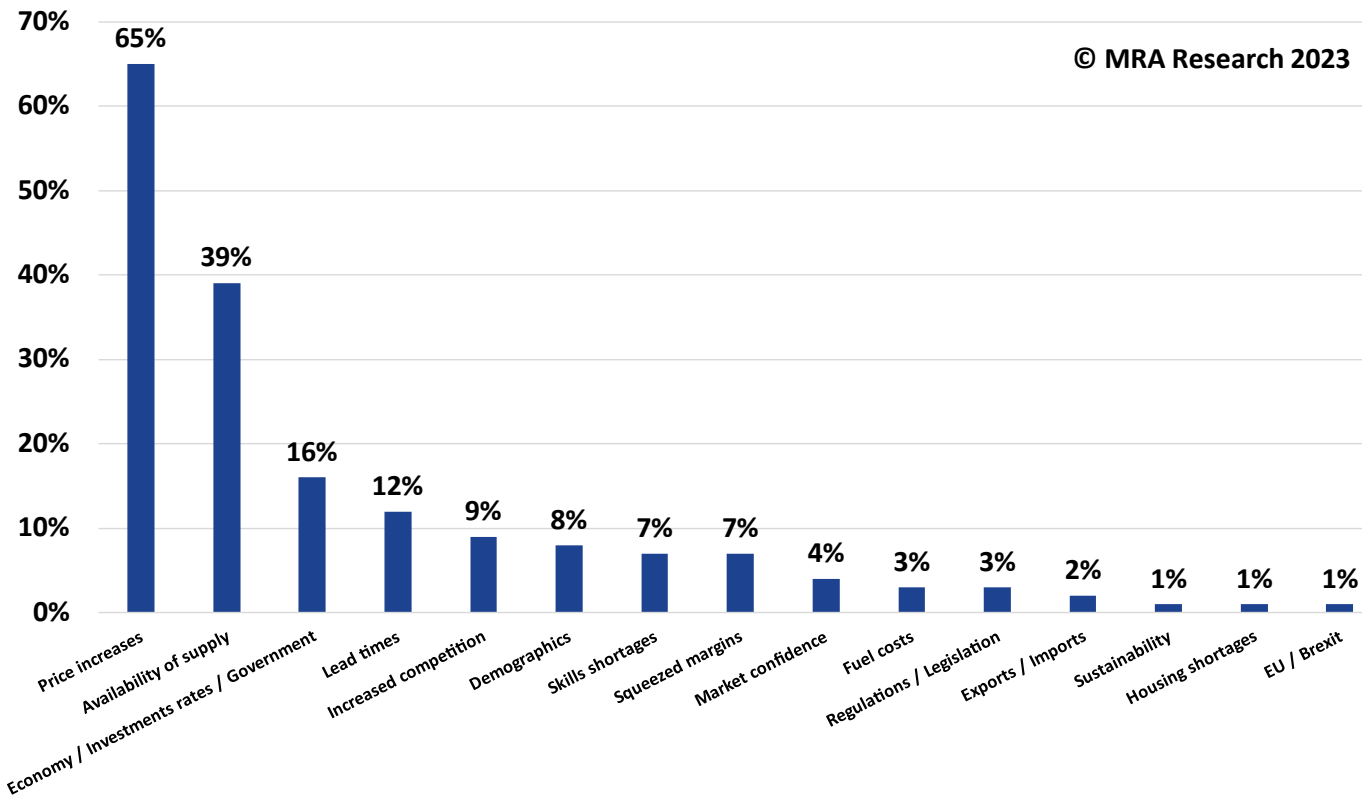
Supplier price rises are easing as the single most important problem but 4 in 5 merchants mention them.

Two thirds complain of Squeezed margins.

Nearly six in ten still list Product availability.

The most important challenges for construction today

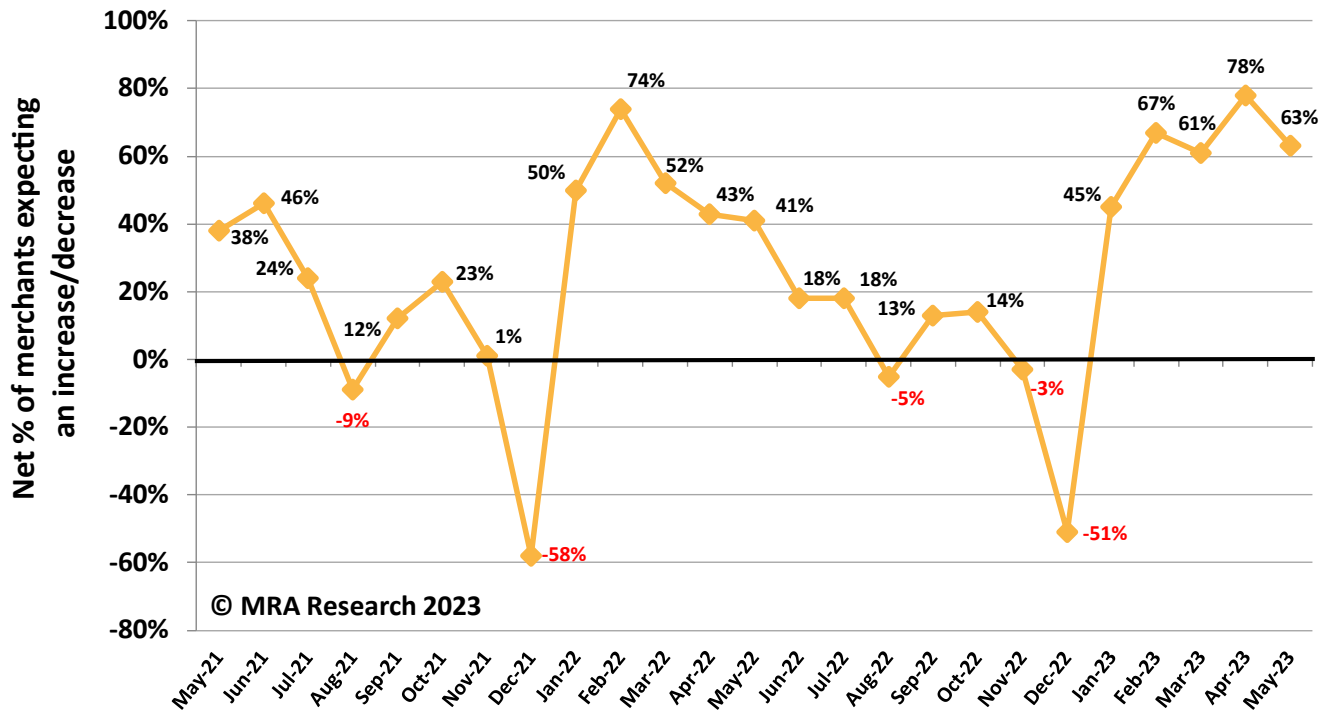
The most important challenges for the construction industry today



Price increases (65%) and availability of supply (39%) overshadow all other challenges for construction today.

Sales Expectations...1

Sales Expectations : Month-on-Month
May 2023 v Apr 2023



A net +63% of merchants expect May sales to increase compared to April, down from 78% month-on-month in April, the highest level in two years.

All types and size of merchants expect growth: Regionals (+67%), Independents (+65%) and Nationals (+59%).

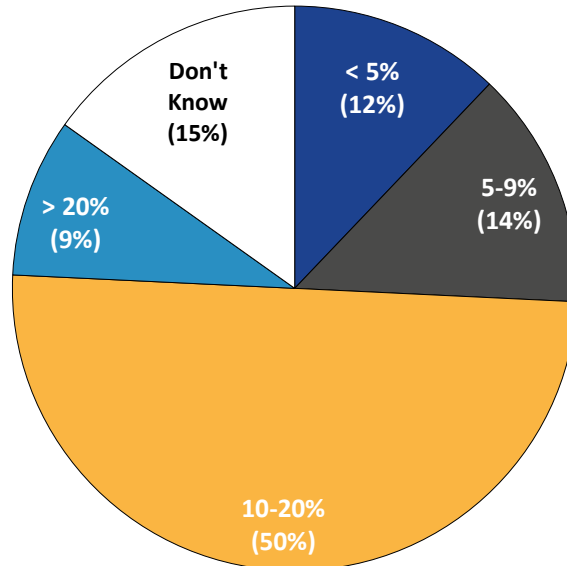
Small outlets have the lowest expectations (+55%).

Most merchants in the North (+74%), South (+63%) and the Midlands (+60%) expect their sales to increase. Merchants in Scotland have slightly lower expectations (+53%).

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. In this chart, 66% of merchants interviewed expect growth against 3% who expect a decline. The net figure is +63% expecting growth.

Sales Expectations...2

Sales Expectations: % Increase
May 2023 v Apr 2023



Just over one in four merchants (26%) who expect sales to increase in May from April expect growth of up to 9%.

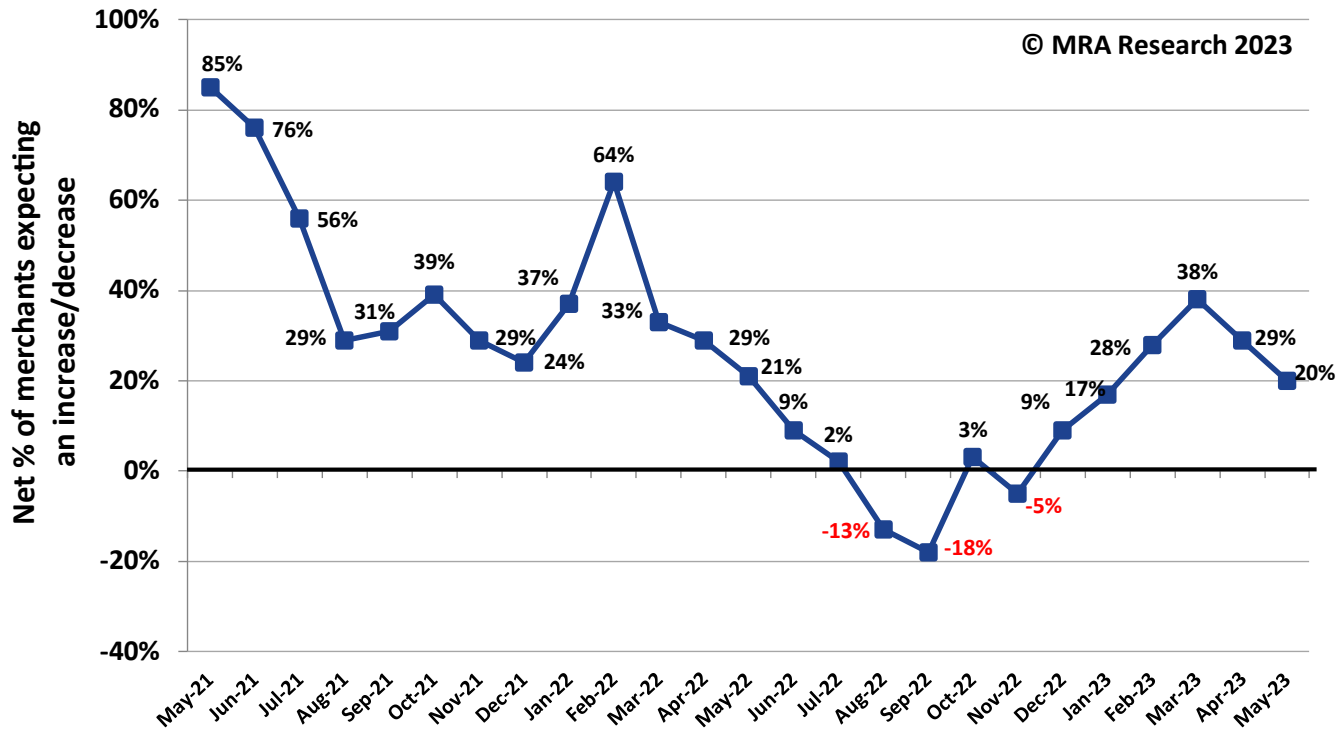
A half (50%) expect sales to increase by 10 to 20%, and nearly one in ten (9%) expect more than 20%.

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Base: 66

Sales Expectations...3

**Sales Expectations: Year-on-Year
May 2023 v May 2022**



A net +20% of merchants expect higher sales in May compared to May last year. That's down from a relatively high +38% in March.

Expectations are highest in the South (+46%), and Midlands (+12%).

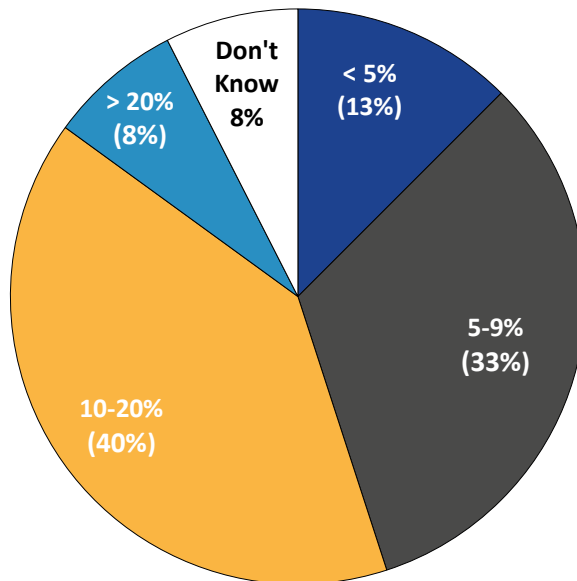
The number of merchants in the North who are more confident in the market is balanced by the number who are less confident (net 0%).

Merchants in Scotland (-13%) expect to sell less compared with last year.

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. In this chart, 40% of merchants interviewed expect growth against 20% who expect a decline. The net figure is +20% expecting growth.

Sales Expectations...4

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



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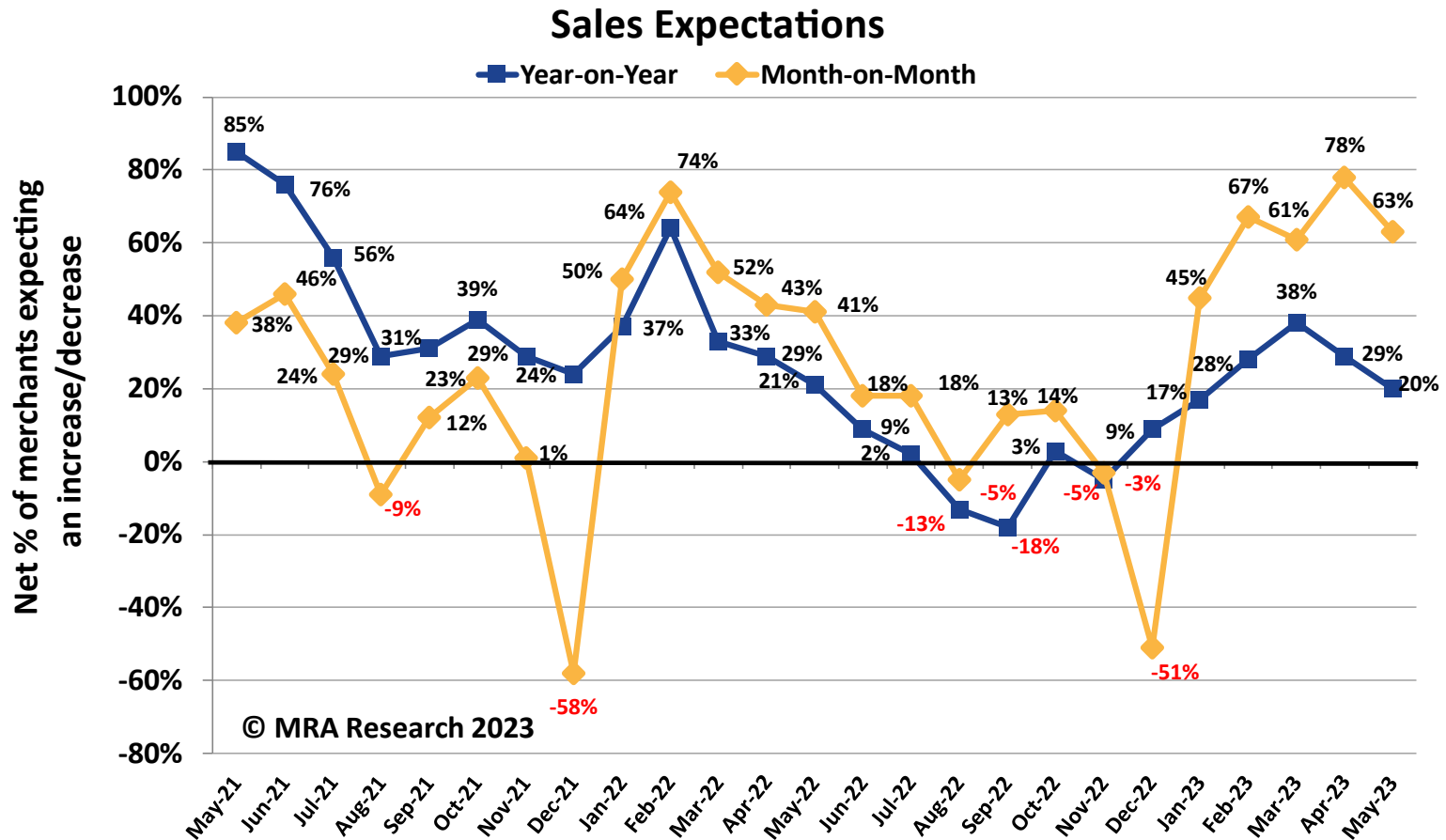
Base: 40

Almost 1 in 2 merchants (46%) who are expecting sales to increase in May are expecting sales to grow by up to 9%, compared to May 2022.

Almost 1 in 2 expecting growth (48%) expect sales to increase by more than 10%.

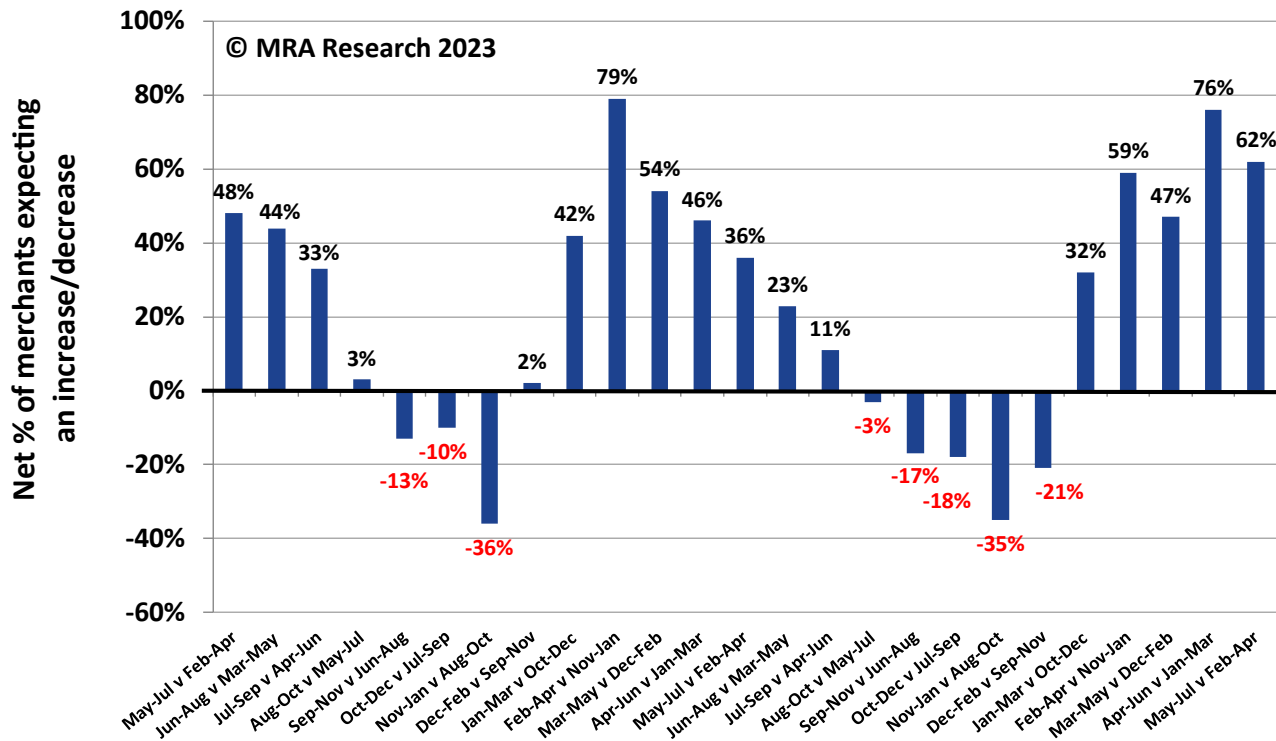
Sales Expectations

Month-on-Month v Year-on-Year



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

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



Quarter-on-quarter, sales expectations have eased but continue strong. A net +62% of merchants expect sales to improve in May to July compared to the previous three months.

All merchants expect growth.

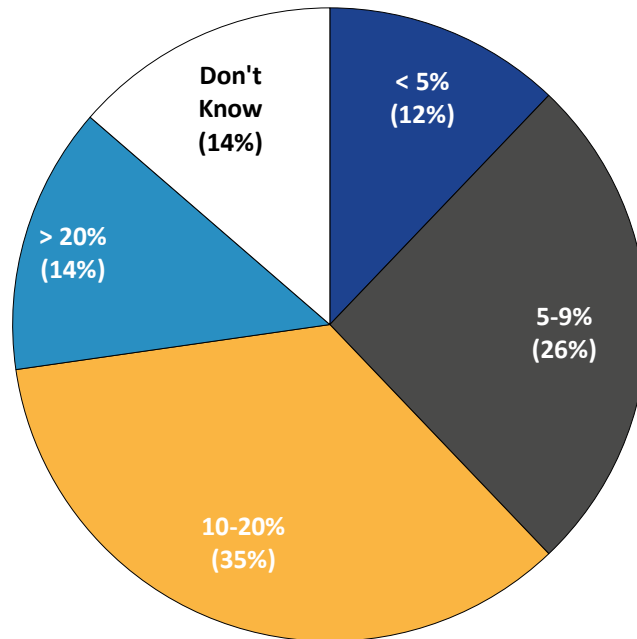
More Mid-sized (+78%) and Larger outlets (+71%) expect sales to increase. Fewer Small outlets (+43%) are expecting an increase.

More Regionals (+67%) and Nationals (+61%) expect sales to grow than Independents (+53%).

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. In this chart, 66% of merchants interviewed expect growth against 4% who expect a decline. The net figure is +62% expecting growth.

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

Sales Expectations: % Increase
Next 3 months (May-July 2023) v Previous 3 months (Feb-Apr 2023)



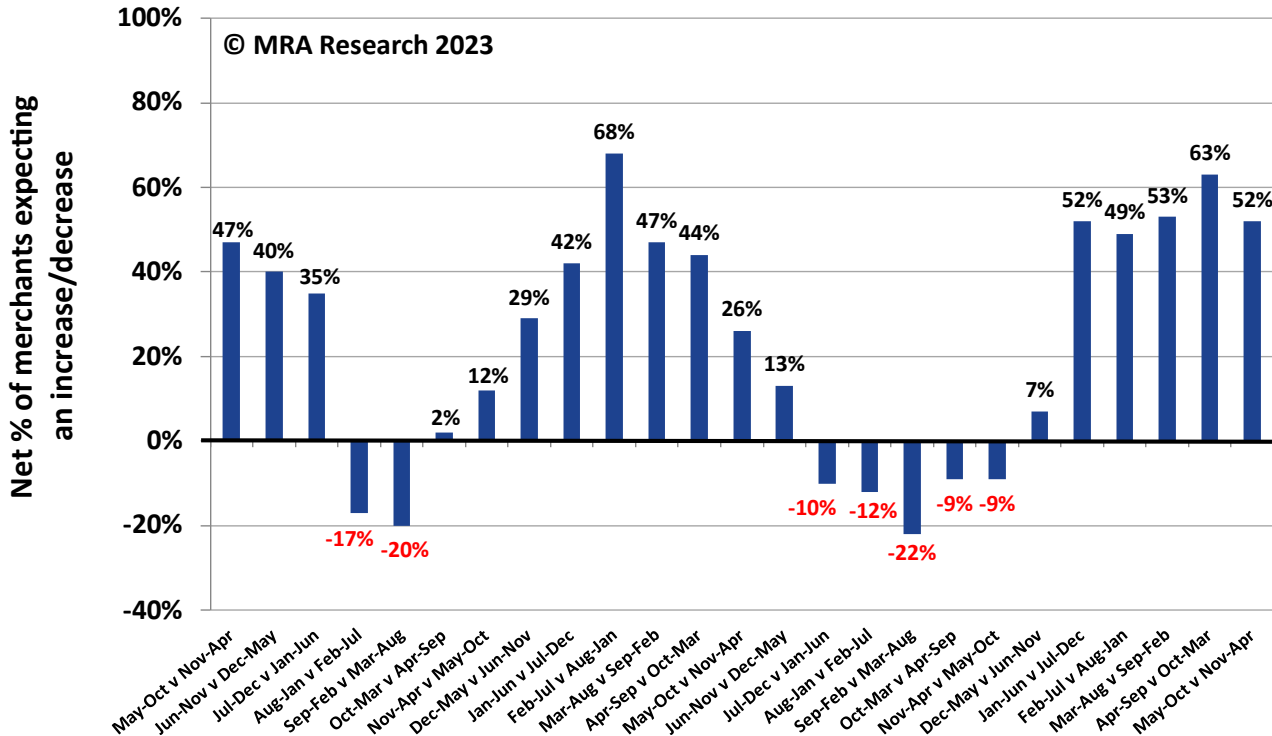
Nearly 2 in 5 (39%) of those expecting sales to grow say they will grow by up to 9%.

Just over a third (35%) expect sales to grow by 10 to 20%. 14% expect growth of more than 20%.

Sales Expectations: The next six months...1

Sales Expectations

Next 6 months v Previous 6 months (from May 2021)



A net +52% of merchants expect sales to increase in the six months May to October 2023 compared to the previous six months.

Expectations remain solid across the first five months of 2023.

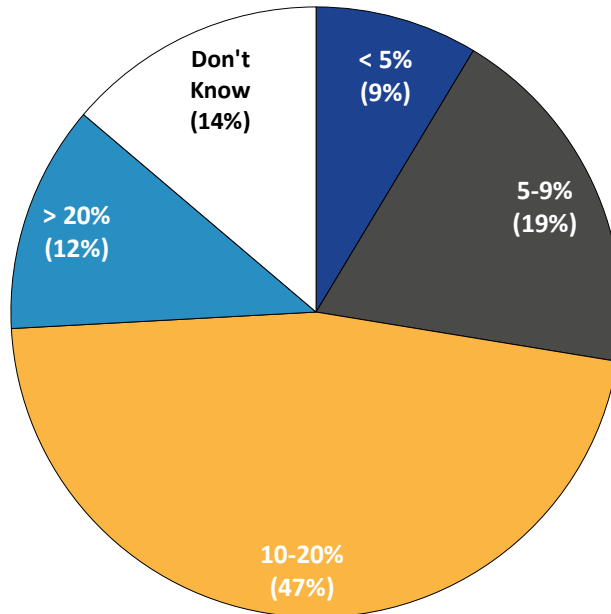
More Merchants in Mid-sized (+68%) and Larger outlets (+59%) expect sales to grow.

Fewer Small outlets (+33%) expect sales to increase.

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. In this chart, 58% of merchants interviewed expect growth against 6% who expect a decline. The net figure is +52% expecting growth.

Sales Expectations: Next six months...2

Sales Expectations: % Increase
Next 6 months (May-Oct 2023) v Previous 6 months (Nov 2022-Apr 2023)

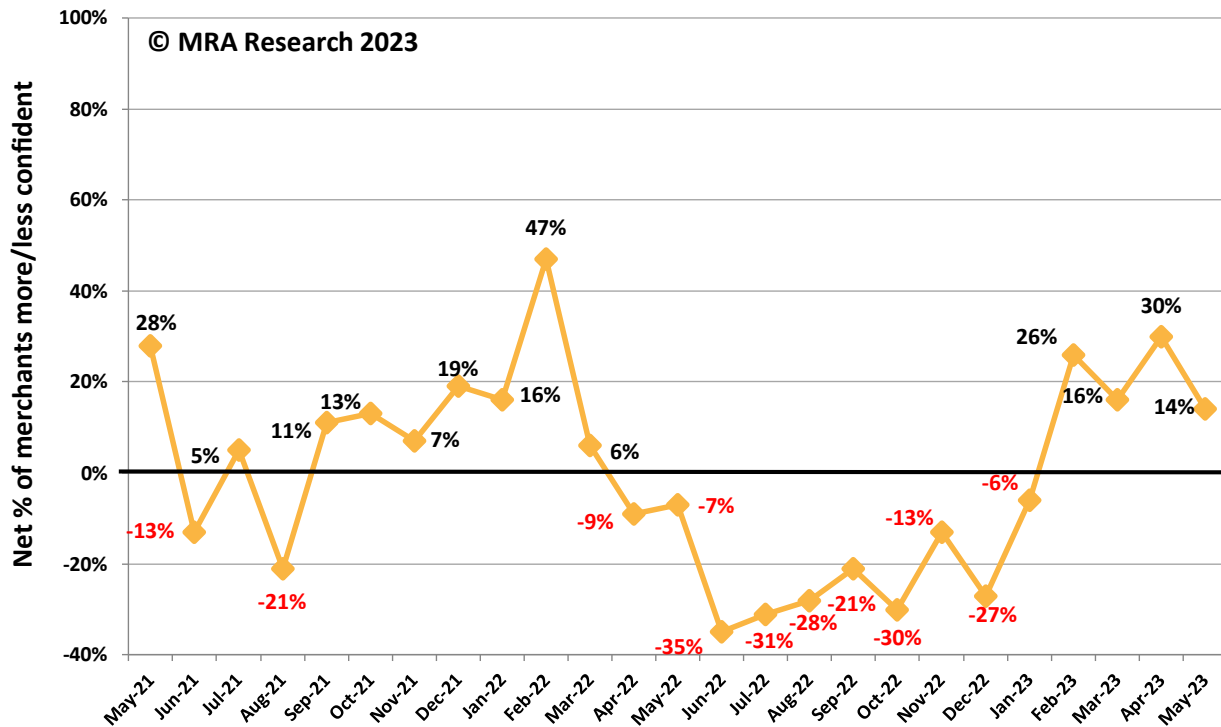


Over a quarter (28%) who expect higher sales, expect them to improve by up to 9% in the next six months.

Almost half (47%) expect sales to grow by 10 to 20%, and 12% by more than that.

Confidence in the market: Month-on-Month

Confidence in the market: Month-on-Month (May 2023 v Apr 2023)



Having built to a net +30% in April, month-on-month, confidence in the market eased to +14% in May.

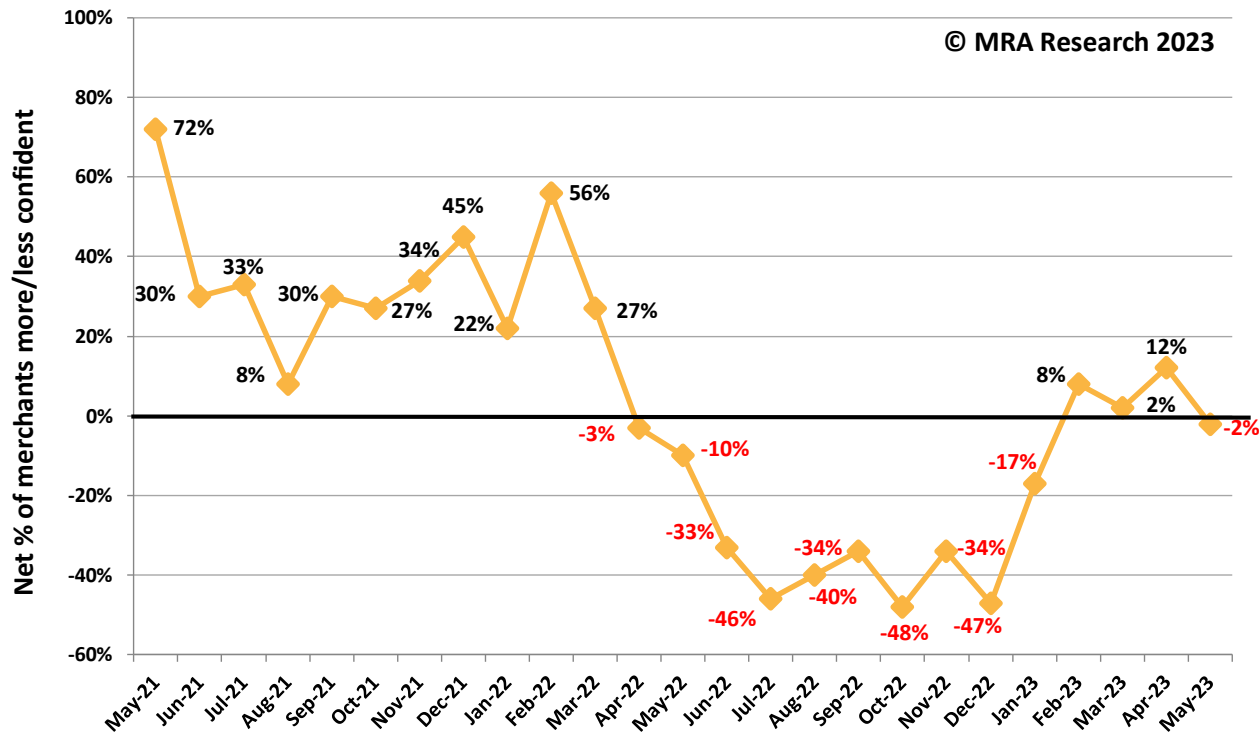
More Merchants in Nationals (+22%) are confident than Regionals (+12%).

The number of Independents who are more confident in the market is balanced by the number 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. In this chart, 34% of merchants interviewed are more confident against 20% who are less confident. The net figure is +14% more confident.

Confidence in the market: Year-on-Year

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



Confidence in the market has dropped year-on-year, from a net +12% last month to -2%.

The number of merchants in Scotland and the North who are more confident in the market is balanced by those who are less confident (net 0%). Only the South (+5%) is more confidence.

Large outlets (-29%) are least confident. More Small outlets (+10%) are 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, 33% of merchants interviewed are more confident against 35% who are less confident. The net figure is -2% more confident.

Confidence in the market:

Why MORE confident about the market than this time last year? [1]

17

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

A little bit more stable now and all hell was breaking loose. Supply is better and playing it by ear and a better feel about it. Just feels better in the market.

A lot more people are spending the money to get their property finished and seems a lot more going on in the area.

Better informed by the hierarchy.

He has a good team. As price rises, we can still be competitive.

I am not sure what I feel more confident about.

I don't know I just am. We are bringing in more ranges and stock.

I feel that all the new products we have has opened up our business. This has brought more customers.

I found last year was peculiar and no one knew what was happening. I now find our customers and more buoyant and positive.

Increase in sales for the first quarter of this year compared to last year.

Increased footfall and busier business and increased sales.

It has dropped off a bit the sales side, but it is the same everywhere, and competition is throwing out silly prices.

Just general response to the way things are going.

General chat to people and people are getting more money for sales, the economy is levelling out slightly.

Just with Covid and that. I am more confident we're out Covid.

Materials are coming in better and we're not getting delays, unlike last year. I feel the ship with our business has/is steadying a little bit since last year and from Covid.

More business and people are spending money.

No Covid and didn't know where we were at with the business.

No signs of slowing down. Interest rates. Not been affected more enquiries.

Prices seem to be levelling off which is making a big difference and ease of getting products is increasing.

Process have come down and items are more available to order.

Sales are still busy with people coming in. We have a few contracts currently.

The business seems to be on an upturn, stabilising slowly. Bit of a long road though.

The market has settled and we're still having good months and I feel we are still doing very strong.

Confidence in the market:

Why MORE confident about the market than this time last year? [2]

18

Prices have seemed to settle down. Less price changes.

The situations with Covid and getting materials in has become easier than last year.

The stock availability is better now than it was 12 months ago.

There is less supplier issues now than last year. There was a lot of shortages, and it just seems to be settling down now from what I can see.

There's more products coming in. Also, the stock supply is not as bad even though it's still not great.

Things are kicking up again. It's getting busier and people are buying more plaster.

Things have started to stabilise.

We have a good contract here and obviously with the cost of living crisis and fuel prices have dropped now. And a strong surge of people moving here, area with money. Mainly to do with the local geographic region.

We have experienced lots of shortages on supplies due to Brexit allocations. This was dependent on whether materials were available from our suppliers.

With interest rates lowering people can invest in their properties. So, people can renovate and maintain their homes more than they did last year.

Confidence in the market:

Why LESS confident about the market than this time last year? [1]

19

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

All sorts have slowed down. Lot of people's money have been spent due to Covid. People getting nervous, cost of living as had and dominant affect this time to last year has been a decrease.

As a branch we are doing well but as a region and area we are not doing as well as we expected to do this year.

Building regulations are changing from June, which is going to increase costs for the builders.

Been busy for so long I expect something is going to go to pop.

Cost of living crisis has kicked everyone in the nuts. Boilers guys are doing more replacement. Intake of boiler brands that are long dead as parts not available - can't match cheaper suppliers.

Cost of living crisis, prices going up, doing their own delaying.

Everything's been put back by a few months and you needing the jobs to start.

Feels like we're going to go into a recession, and we are in one at the moment.

For the business there seemed to be a lot more work in the pipeline than there is now.

House sales are slowing down.

I feel the reason I am less confident is due to the government all round.

I feel with everything going on currently within the country. The politics also has had an impact on the business as well.

I'd say the cost of living.

It's just general word of mouth and market research is going down from last year due to economic climate, so the outlook isn't the same levels as last year.

It's just mortgages - slowing us down.

Just the cost of living. Everything has gone up and has made people less likely to want and spend with us.

Just with the finance element and no one wants to build houses and spend.

Last year Covid meant people had more disposable income to spend and now the recession meaning less spending.

Limited money to reinvest due to the issues with cost of living.

Mainly less confident because of regulations that have come into play that can affect jobs.

Price increases.

Price rises.

Slight downturn and general slow down.

The level of inquiries has reduced and reduced. Doom and gloom on tv.

The overall situation with the building industry and the government are not supporting enough for the industry which is in turn impacting us.

Confidence in the market:

Why LESS confident about the market than this time last year? [2]

20

The state of the economy. General costs are higher.

The volume of sales has decreased with knock on effects for the business.

There is less spending going on. People are not spending as much as they used to or even wanting to do any upgrading.

There seems to be a downturn in the market, and the global market.

These confidence issues are because sales are less up today, they has decreased compared to last year, so it is general lack of sales and customers. We are just a bit quieter than we were last year. I think the rise in cost of items is a big factor. Everyone's looking after their pennies more, so no one is really doing extensions and stuff like that anymore.

We had a record year last year so it will be tough to equal.

We had lot more sales going on last year then this year.

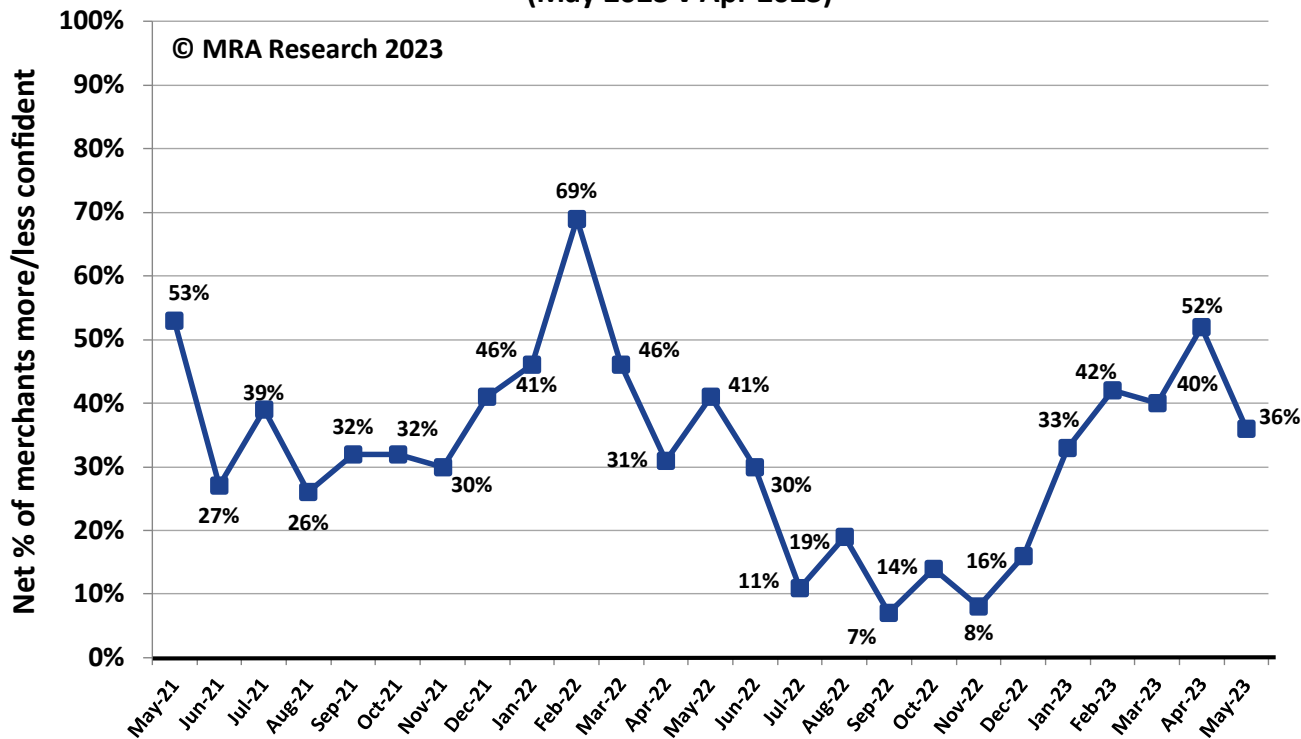
We just couldn't keep up with everything that was coming in and people had a lot more disposable income last year compared to now.

We struggled during the six-week period where there was trouble with the prime minister. We are in the middle of a cost of living crisis and struggling on the back of the of Covid 19 pandemic.

Where they are located, we haven't been affected by recession or coronavirus. There has been a slow down at the beginning of the year due to where we are we haven't been affected.

Confidence in their own business: Month-on-Month

Confidence in their own business: Month-on-Month
(May 2023 v Apr 2023)



Merchants' confidence in the prospects for their own business dropped from a 2023 peak to date (net +52%) to +36% more confident month-on-month.

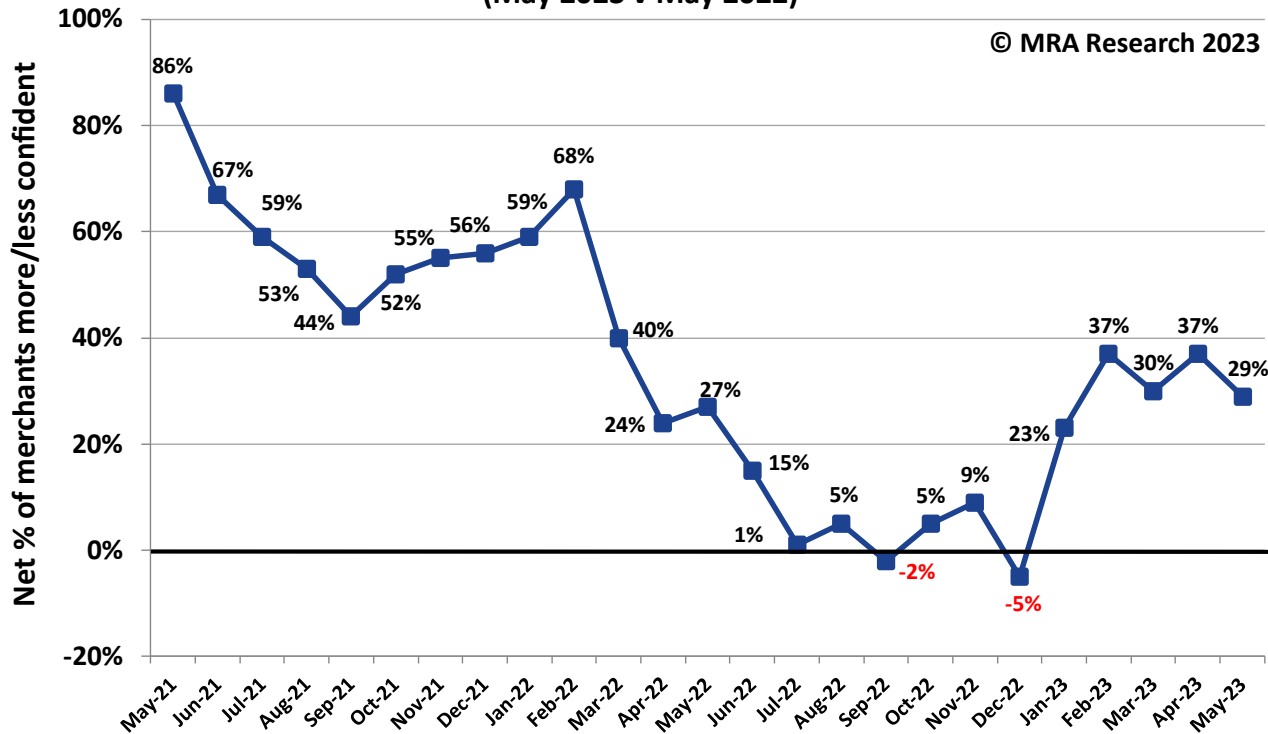
Regionals (+52%) are the most confident. Independents (+12%) are least confident.

Merchants in the Midlands (+40%) and the South (+37%) are more confident than other regions.

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. In this chart, 43% of merchants interviewed are more confident against 7% who are less confident. The net figure is +36% more confident.

Confidence in their own business: Year-on-Year

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



Merchants' confidence in their own business remains strong year-on-year.

A net +29% of merchants are more confident in May than they were in May last year.

Regionals (+52%) are more confident than Nationals (+15%) and Independents (+6%).

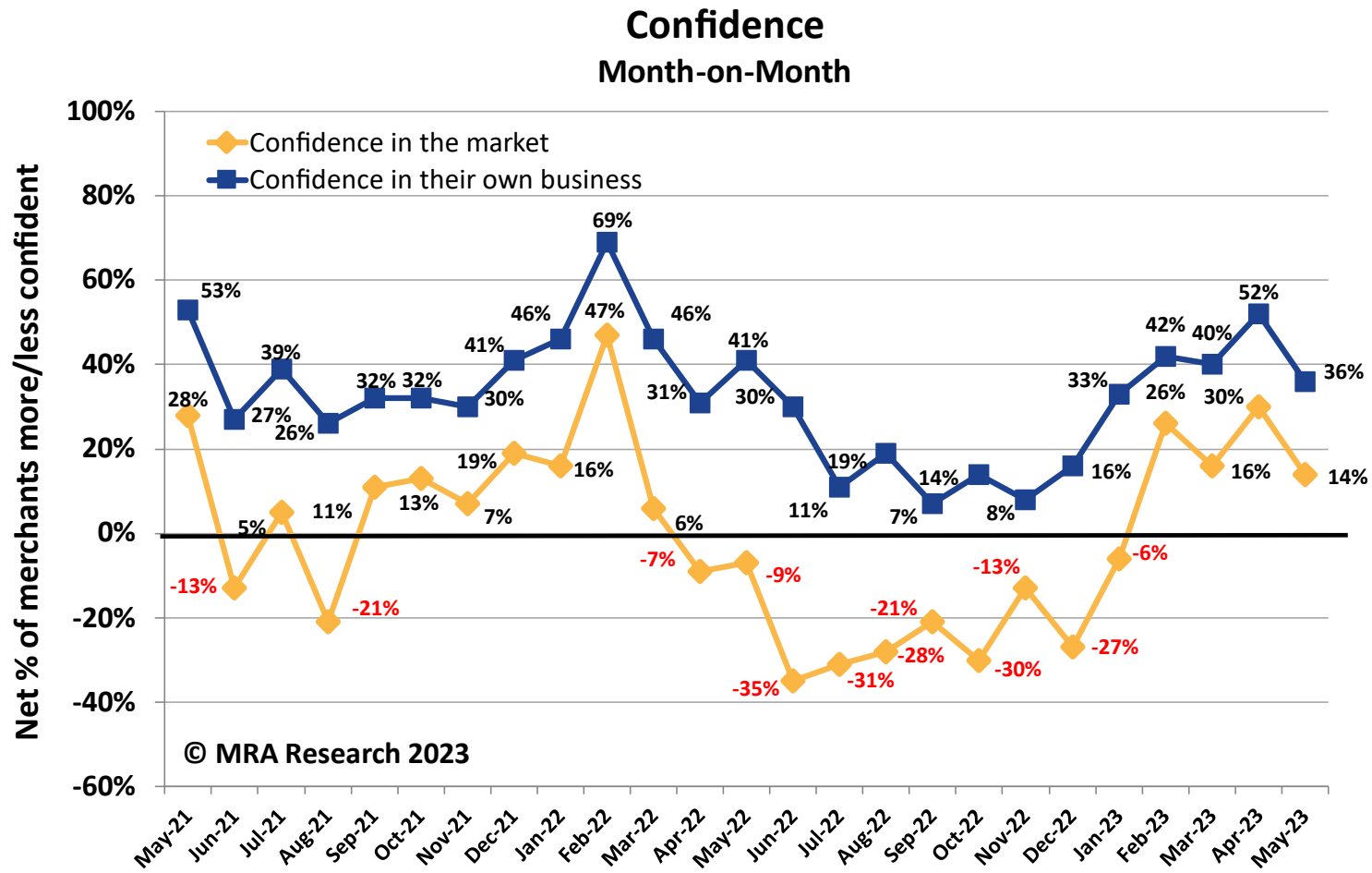
Small outlets (+36%) are more confident than Large (+29%) and Mid-sized outlets (+22%).

The South (+37%) are more confident than the Midlands and the North (both at +32%) and Scotland (+0%).

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. In this chart, 42% of merchants interviewed are more confident against 13% who are less confident. The net figure is +29% more confident.

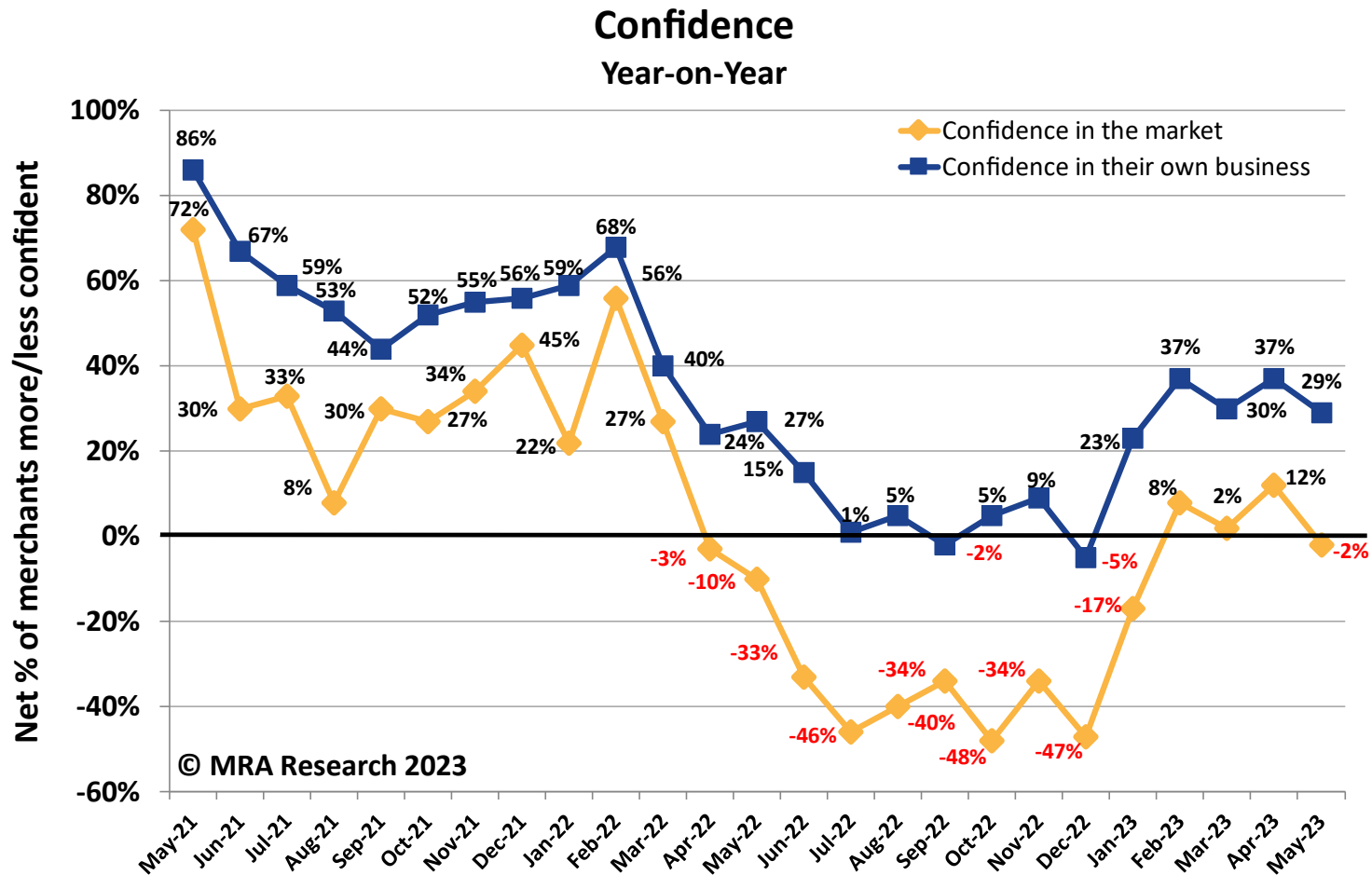
Confidence in the market v in their own business

Month-on-Month



Confidence in the market v in their 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 49th in the series, with interviews conducted by MRA Research on the 2nd to the 4th May 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.

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 Research. Annual Round Tables 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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“ 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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