

“building **excellence**  
in materials supply”

# Builders Merchant Building Index



## Executive Summary - Quarter 2 2023

(Published 22 August 2023)

# Highlights

“The second quarter remained challenging for the UK economy, with inflation inching down and interest rates raised.” Emile van der Ryst, Senior Client Insight Manager - Trade, GfK. Read Emile’s full comment on page 10.

## BMBI Report Q2 2023 Highlights

(unadjusted for trading days)

**+7.6%**

**+2.6%**



Q2 2023 total  
sales down -4.1%  
on Q2 2022



Q2 2023 total  
sales up +7.6%  
on Q1 2023



Jun 2023 total  
sales up +2.6%  
on Jun 2022



Year to date down -3.3%  
on Jan-Jun 2022

[www.bmbi.co.uk](http://www.bmbi.co.uk)

“Value sales in  
Q2 were -4.1%  
lower, with  
volume falling  
-13.5% and  
prices up +10.9%.”

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**-4.1%**

**-3.3%**

# Introduction:

## Builders Merchant Building Index



This **Builders Merchant Building Index (BMBI)** report contains data from GfK's ground-breaking Builders Merchants Panel, which analyses data from over 80% of generalist builders' merchants' sales throughout Great Britain. GfK's Builders Merchant Point of Sale Tracking Data sets a gold standard in reliable market trends. Unlike data from sources based on relatively small samples or estimates, or sales from suppliers to the supply chain, this up-to-date data is based on actual sales from merchants to builders and other trades. It's therefore a very good proxy for housing RMI.

The monthly series tracks what is happening in the market month by month and includes an in-depth review every quarter. BMBI Index data is calculated on the 12 month base period July 2014 to June 2015. This trend series gives the industry access to far more accurate and comprehensive insights than that available to other construction sectors.

### Executive Summary

Short of time and just want to read the headlines? Download an Executive Summary that provides a snapshot on value sales and trends from Britain's Builders' Merchants for Quarter 2 and June 2023 [here](#).

### BMBI Expert Panel

MRA Research produces the Builders Merchant Building Index, a brand of the BMF, to communicate to the wider market as the voice of the industry as well as the voice of individual Expert Brands. **Meet the Experts and read their comments on pages 13 to 27 of this report or read their previous comments [here](#).**

### Recognition for BMBI

One of the aims of BMBI is to reach across and beyond construction. It's now syndicated to a growing number of trade magazines in different sectors on a regular basis. Outside the industry, economists, banks, consultancies, investment bodies and the big accountants regularly refer to it and BMBI is referenced alongside the Office for National Statistics (ONS) data in the Government **Department for Business and Trade** monthly construction update. **Download the latest update [here](#).**



### More data available

This BMBI report provides valuable top-level indices but there's considerably more data available. GfK insights go much deeper and include sales value data. GfK can quantify market values and drill down into contributing categories, tracing product group performance, to focus on aspects that are critical to you.

GfK can also produce robust like-for-like market comparability tailored to the requirements of an individual business. As more merchants join to submit their monthly sales-out data the quality of this information can only become more extensive and rigorous. Merchants or suppliers who are interested in acquiring data or getting involved should contact **Emile van der Ryst** at [emile.van-der-ryst@gfk.com](mailto:emile.van-der-ryst@gfk.com).

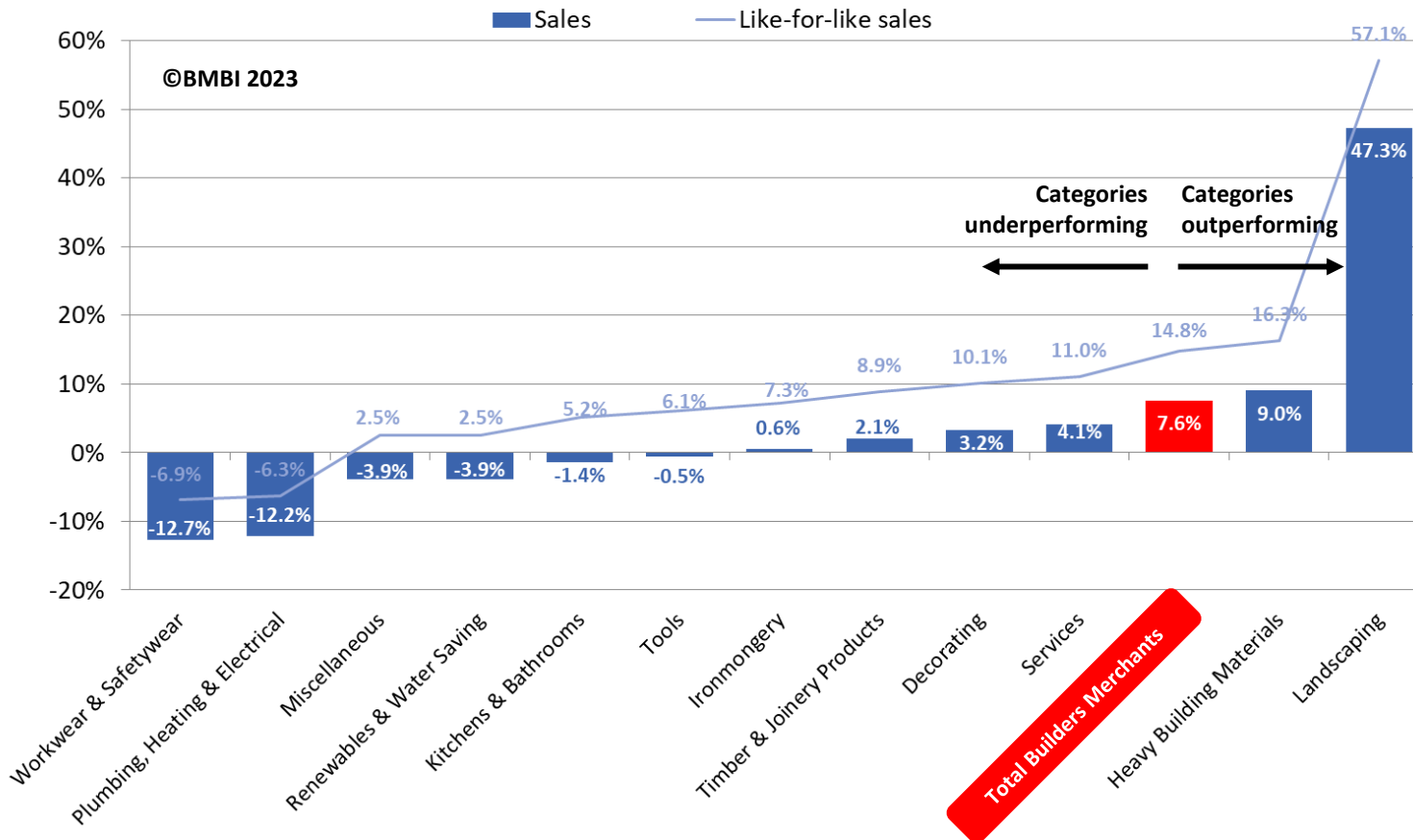
# Quarterly: Quarter on Quarter

## Q2 2023 sales and like-for-like sales

60 trading days this quarter v 64 trading days last quarter. Like-for-like sales take trading day differences into account.



### Quarter 2 2023 v Quarter 1 2023



Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to June 2023

Total value sales in the latest three months were +7.6% higher than in the previous three months.

Seasonal category Landscaping (+47.3%) had the strongest growth.

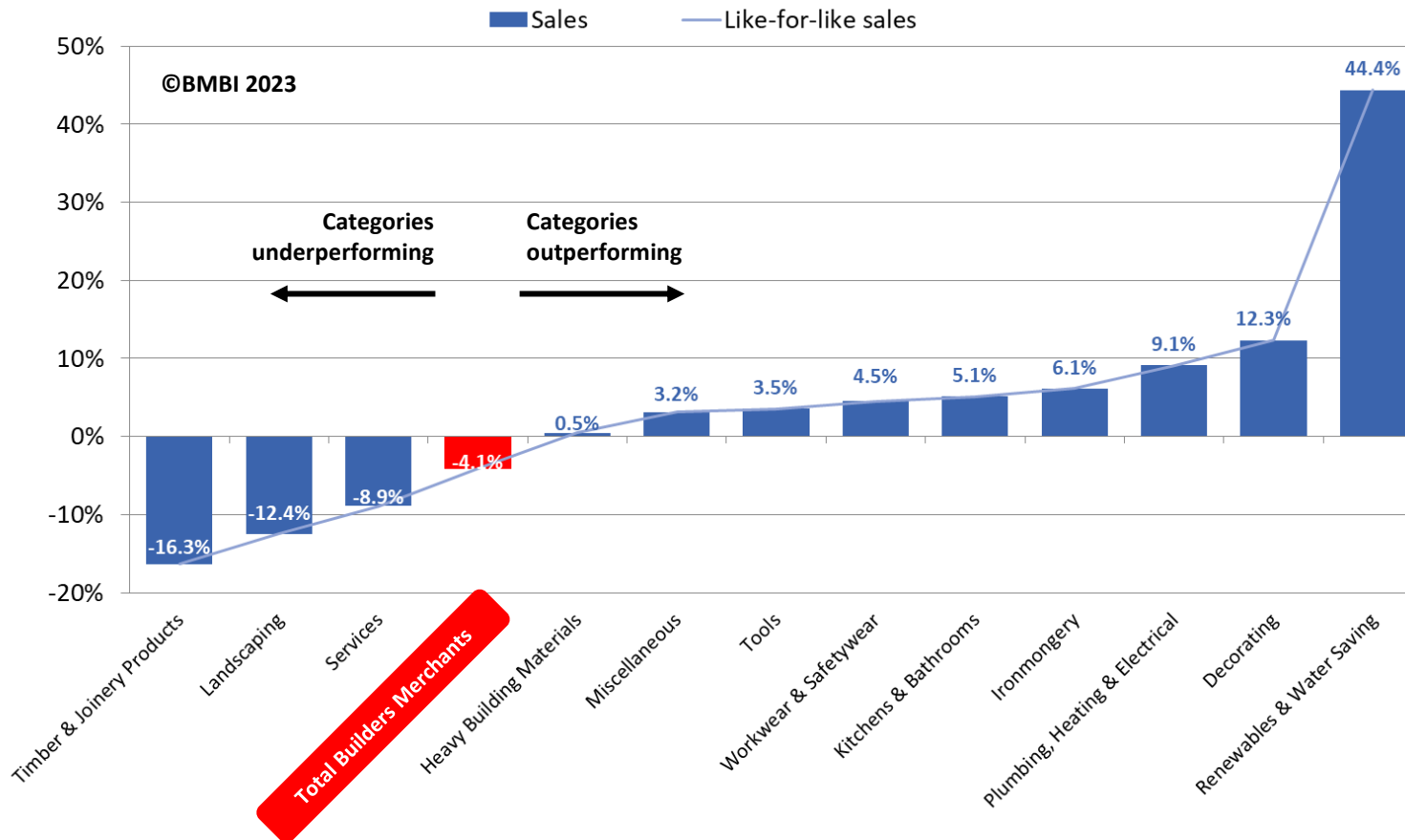
# Quarterly: This Year v Last Year

## Q2 2023 sales and like-for-like sales

There was no difference in trading days. Like-for-like sales take trading day differences into account.



### Quarter 2 2023 v Quarter 2 2022



Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to June 2023

Total value sales in Quarter 2 were down -4.1% on the same period last year.

Volume sales were -13.5% lower with prices up +10.9%.

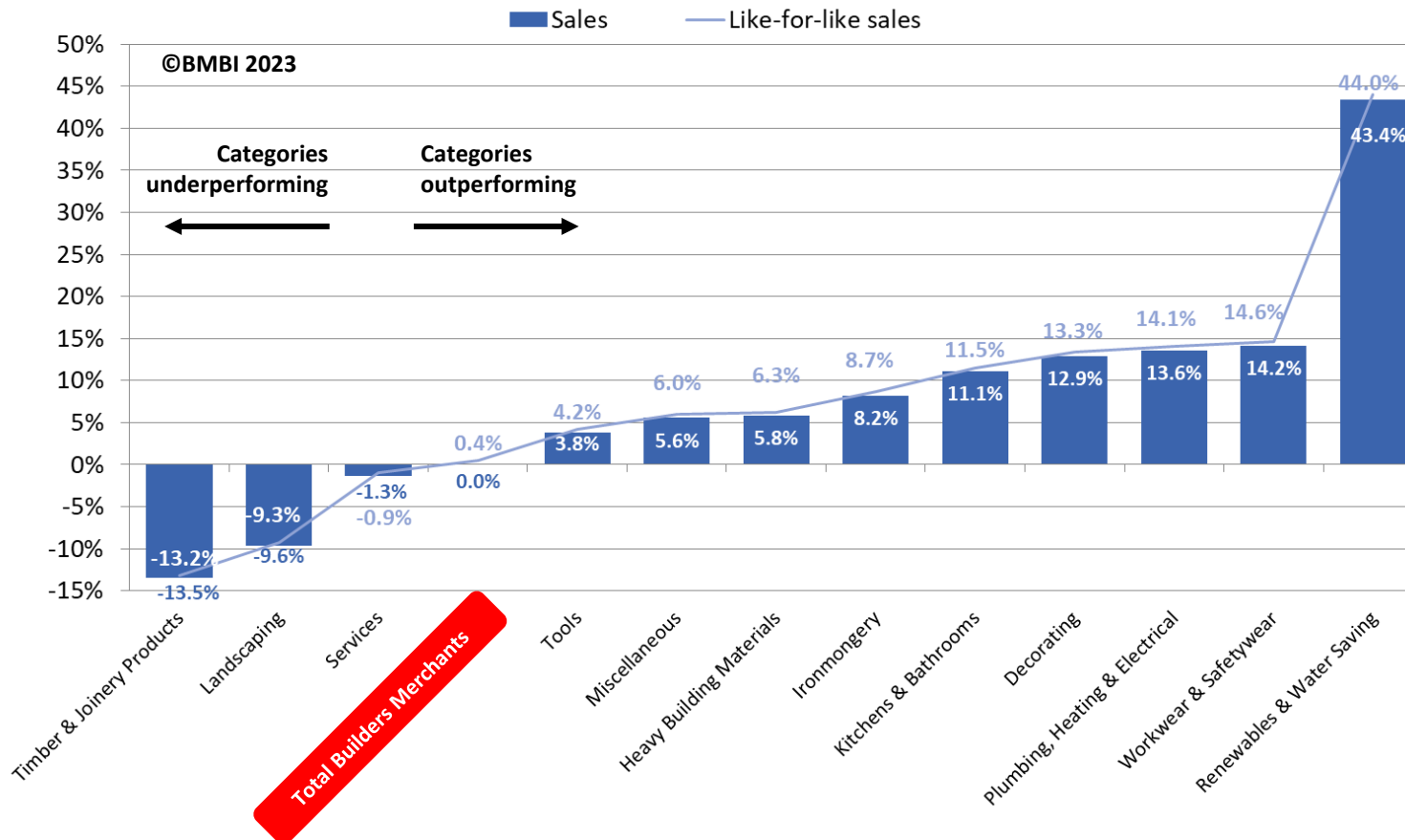
# Last 12 Months: Year on Year

## Sales and like-for-like sales

247 trading days in the most recent 12 months v 248 trading days in the previous 12 months. Like-for-like sales take trading day differences into account.



## 12 months Jul 22 to Jun 23 v 12 months Jul 21 to Jun 22



Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to June 2023

Total Merchants value sales in the 12 months to June 2023 were unchanged compared with the same period a year earlier.

Nine categories had higher sales, led by Renewables & Water Saving (+43.4%).

# Quarterly: Index and Categories

Quarter 2 2021\* to Quarter 2 2023

Indexed on July 2014 to June 2015



QUARTERLY SALES VALUE INDEX	Index	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
<b>Total Builders Merchants</b>	<b>100</b>	<b>149.7</b>	<b>146.1</b>	<b>127.5</b>	<b>142.1</b>	<b>155.8</b>	<b>152.3</b>	<b>131.2</b>	<b>138.8</b>	<b>149.4</b>
Timber & Joinery Products	100	183.0	191.9	160.7	171.7	177.5	170.6	142.3	145.5	148.5
Heavy Building Materials	100	136.3	133.3	118.7	132.7	148.8	149.2	128.8	137.1	149.5
Decorating	100	112.2	112.9	104.6	114.2	120.1	125.4	120.0	130.8	135.0
Tools	100	103.0	97.6	94.6	107.3	106.1	102.0	97.6	109.1	108.5
Workwear & Safetywear	100	103.9	98.3	113.3	117.1	112.4	121.5	130.1	134.5	117.5
Ironmongery	100	133.8	126.2	117.2	133.4	135.5	138.8	128.5	142.8	143.6
Landscaping	100	237.5	184.0	128.3	161.9	222.5	181.7	120.6	132.3	194.9
Plumbing, Heating & Electrical	100	118.6	116.7	127.2	143.0	129.8	133.2	150.9	161.3	141.7
Renewables & Water Saving	100	77.2	71.2	70.9	90.9	86.0	98.5	104.8	128.2	123.3
Kitchens & Bathrooms	100	116.7	125.3	120.8	135.7	138.3	146.9	138.2	147.4	145.4
Miscellaneous	100	119.2	122.1	114.3	130.7	128.3	130.5	119.3	134.2	129.0
Services	100	127.9	132.1	121.8	126.4	138.0	141.5	123.7	120.7	125.7

\*Click the web link below to see the complete series of quarterly indices from Q2, 2015.

Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to June 2023

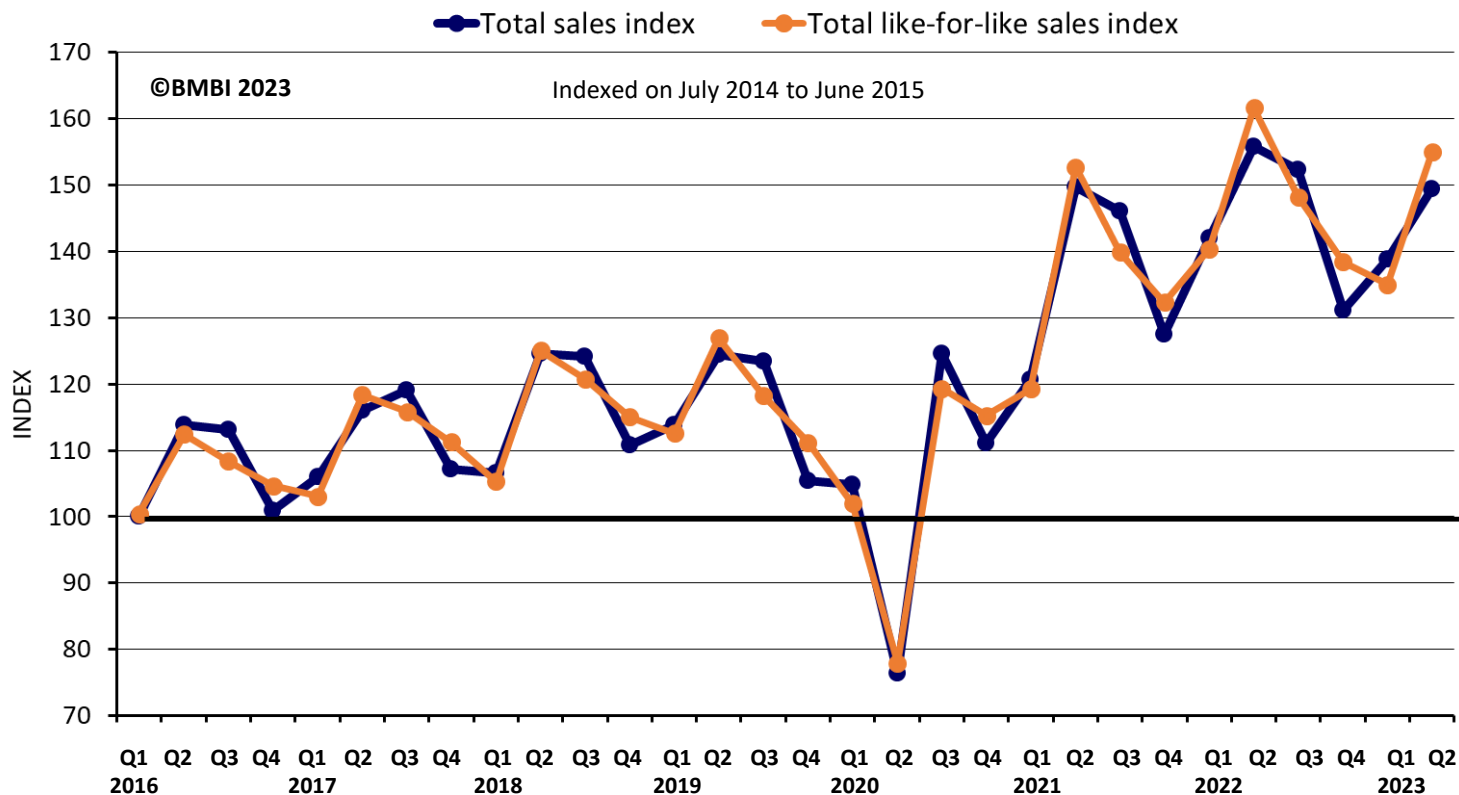
# Quarterly: Index

## Sales and Like-for-like index

60 trading days this quarter v 62 trading days in the Index base period. Like-for-like sales take trading day differences into account.



### Total Builders Merchants sales index v like-for-like sales index



Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to June 2023

The Quarter 2 BMBI  
Index was 149.4.

With two less trading  
days in Q1 than in  
the Index base  
period, the like-for-  
like sales index was  
155.0.



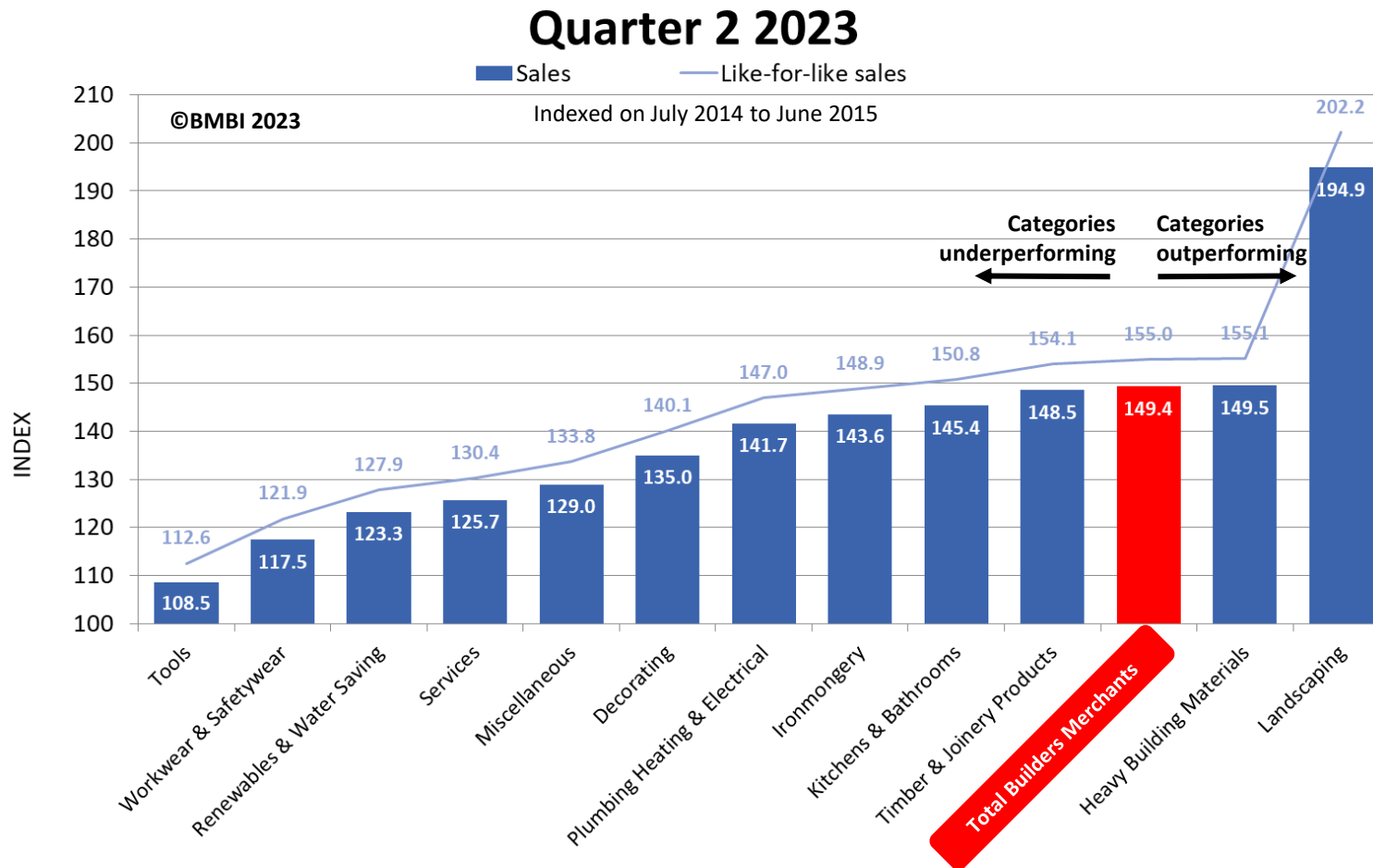
# Quarterly: Index and Categories

## Q2 2023 index

60 trading days this quarter v 62 trading days in the Index base period. Like-for-like sales take trading day differences into account.



Source: GfK's  
Builders Merchants  
Total Category Report  
July 2015 to June 2023



Seasonal category  
Landscaping (194.9)  
indexed highest in  
quarter 2, well above  
Total Merchants  
(149.4).

# Overview and Insights

Emile van der Ryst,

Senior Client Insight Manager - Trade, GfK



The second quarter remained challenging for the UK economy, with inflation inching down and interest rates raised to accelerate movement towards the targeted inflation figures for the end of 2023. House prices have started coming down, bringing further uncertainty for homeowners during difficult times.

Merchant trading has seen the first signs of volume recovery in the second quarter. Price growth has slowed, but it has still been a difficult quarter overall. In hard economic headwinds this should however be welcomed and hopefully the first step towards market normality down the line.

The data shows H1 value growth down by -3.3% against 2022. Q2 value growth was down by -4.1%, while Q1 value was down by -2.3%. This shift however makes more sense when looking at volume and price growth. Volume in Q1 was down -16.4%, improving to -13.5% in Q2. Price growth, a combination of inflation and product mix changes, sat at 16.9% in Q1 and has reduced to 10.9% in Q2.

Timber & Joinery and Landscaping have been the main drivers behind the value decline. The former has decreased by -16.3% against 2022 Q2, while the latter is down by -12.4%. Timber and Sheet Materials play a leading role in the Timber & Joinery decline, with Garden Walling / Paving and Fencing & Gates driving Landscaping decline. Timber & Joinery volumes are however stabilising, with a decrease of -3.7% in Q2, compared to -9.7% in Q1. Landscaping price growth in Q2 was lower than the market average of +10.9%, sitting at +5.2%. Volumes in Q2 were down -16.8%, but that's already an improvement from Q1 when volumes were down -22.6%.

Heavy Building Materials value increased +0.5% against 2022 Q2, with price growth up +19.9% and volume down by -16.2%. Aggregates, Bricks, Cement and Plasterboard have contributed most to the price growth. Finally, Lightside categories show growth for all areas apart from Services. Decorating stands out with value growth of +12.3%.

Q3 will remain negative but should see price growth falling further and volume showing signs of recovery. The Construction Products Association (CPA) has indicated a construction recession in 2023, followed by recovery in 2024, so the remainder of the year will continue to challenge.

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Price growth has slowed, but it has been a difficult quarter overall.

# Merchants' View

John Newcomb, CEO BMF



Challenges continued for the construction industry in the second quarter of the year, with the Office of National Statistics (ONS) reporting falling output in both April (-0.6%) and May (-0.2%).

However, a positive result in June (+1.6%) led to overall construction output in Q2 2023 increasing by +0.3% compared with Q1 2023. Repair and maintenance work increased by +0.9% in Q2, while new work saw a decrease of -0.1%. Anecdotal evidence highlighted the effect of weather, with output increasing during a warm spell in June.

Five of the nine ONS sectors saw increases in Q2 2023 with the largest contributors being infrastructure new work (+6.1%) and non-housing repair and maintenance (+2.7%). The largest negative contributor was private new housing, which fell by -3.3%.

The decline in private new housing is confirmed by figures published by the National House Building Council. The number of new home registrations fell by -42% in Q2 2023 compared with Q2 2022. The NHBC believe the reduction in registrations is largely due to accelerated volumes in Q2 2022, caused by changes to building regulations in relation to energy conservation. But completions also fell by -11% in Q2 2023, mainly due to lower demand stemming from rising mortgage rates, which are now at a 15-year high.

On a more positive note, the Federation of Master Builders' State of Trade survey for Q2 2023 reports an increase in total workload and enquiries for FMB members largely driven by repair, maintenance and improvement work. Forty percent of FMB members reported an increase in workload compared to Q1 2023, with only 18% reporting a reduction – a net increase of +25%.

Looking ahead, however, results from FMB members were less positive. Although 40% reported an increase in enquiries in this quarter, 36% said that enquiries were lower in the second quarter of the year, than in the first. Overall, this means there has been a slight decrease in the net balance of enquiries since Q1 2023.

Prices appear to be stabilising. ONS figures show the annual rate of construction output price growth was +4.6% in the 12 months to June 2023; this has slowed from the record annual price growth in May 2022 (+10.4%) and we expect this downward trend to continue through the rest of the year.

The Federation of Master Builders' State of Trade survey for Q2 2023 reports an increase in total workload and enquiries for FMB members largely driven by repair, maintenance and improvement work.

# The Expert Panel

## Speaking for their markets

The Builders Merchant Building Index (BMBI) includes a growing panel of industry Experts. In each quarterly report they comment on the market, with a particular focus on the story behind the trends.

Experts are leading brands, or brands aspiring to become leaders, who are the voice of their markets.

**Scroll down to read their latest insights.**



# Expert Panel

## Wood-Based Panels

(Part of Timber & Joinery Products)



### **Simon Woods, European Sales Marketing & Logistics Director West Fraser (formerly known as Norbord) is BMBI's Expert for Wood-Based Panels.**

Q2 2023 has continued in much the same vein as Q1, with a softening of demand for wood products and a fall in prices, which have finally bottomed out after the highs of the Covid years.

While better weather at the end of Q2 lifted many sectors within the construction industry, the struggling housebuilding market continues to impact suppliers, contractors and merchants alike. New private housing output fell -8.1% between May and June 2023, and Q2 2023 was down -9.3% on Q2 2022. As a result, demand for timber products remained subdued, amid a wider dampening in demand for housebuilding materials.

That said, it's not all bad news. The UK's construction output has improved over the last quarter, helped in part by the +1.6% increase in volume terms in June, which was buoyed by increases in infrastructure new work and non-housing repair and maintenance. We are also seeing inflation gradually coming down and the Consumer Prices Index easing – although too slowly to make any dramatic impact in the short term, at least.

Although it reported a six-point fall in July, consumer confidence, as recorded in GfK's long-running Consumer Confidence Index, has been improving fairly steadily in the first two quarters of the year and is greatly improved since the lows of September 2022.

The other good news is that the industry is prepared for any upswing in demand as wood supplies are good. The industry has worked hard to replace the imported products which used to come from Russia and Belarus, and Timber Development UK (TDUK) reports that May was the best month for timber imports this year with volume growth across all major categories. Softwood imports were particularly strong, with volumes +8.0% higher than the 2023 average.

Blossoming trading partnerships with European countries, such as Sweden, Republic of Ireland and Finland, continue to ensure supply chains are robust and merchants have access to high quality wood products.

There are reasons for cautious optimism: the economy has proved to be more resilient than most of us expected, and although some forecasters still expect the worst, the balance of expectations seems to be shifting to a slow, moderate recovery in the rest of 2023 and 2024.

...demand for timber products remained subdued, amid a wider dampening in demand for housebuilding materials.

# Expert Panel

## Natural Stone & Porcelain Paving

(Part of Landscaping)



### **Krystal Williams, Managing Director Pavestone UK Ltd, is BMBI's Expert for Natural Stone & Porcelain Paving.**

After a sluggish start to the year, Q2 sales were better than expected, and we saw a return to pre-Covid levels. The market was positively buoyant as better weather and increasing consumer confidence kept landscapers busy and stock moving quickly out the door.

What is behind the turnaround in fortunes for the market after a dip in the second half of 2022 and Q1 2023 is still unclear. One factor could be that package holidays are up to 30% more expensive than last year, pricing many families out of a summer holiday but leaving them with money to spend on outdoor living projects. Appetite for home improvements seems to be enduring too despite the cost-of-living crisis – at the top and the middle of the market at least.

Falling shipping costs continue to cause headaches for suppliers and merchants alike, as it is devaluing stock on the ground. Transportation costs are currently sitting below their true cost (currently \$650 a container when it should be \$950), so we expect rates to go up again in the future.

Product-wise, it's all about porcelain. In Q2, premium porcelain sales went from strength to strength, while entry-level porcelain took an increased share of sandstone sales as the price points are similar. but the product looks more impressive.

Our marble porcelain became our bestselling mid-range product, outselling our other products in the category five to one. This is indicative of consumer demand for 'wow' options for their landscaping projects, replicating designs shared on Pinterest and Instagram. Feature areas in gardens of all size are currently trending, and we are seeing some incredible designs from our landscaper partners.

The biggest challenge in the industry is currently new entrants, particularly companies who specialise in interior tiles making the leap into the outdoor market and undercutting established suppliers. As a specialist with many years of experience and product research behind us, we understand the challenges of making and laying paving products in a way these companies don't. We would urge merchants to ensure they opt for paving products which offer best quality, value and after sales support for customers – not just the lowest price.

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# Expert Panel

## Adhesives & Sealants

(Part of Decorating)



### **Mathew Whitehouse, Marketing Director at Bostik UK is BMBI's Expert for Adhesives and Sealants.**

The true extent of the slowdown in building activity was revealed when it was reported that new home registrations were down 42% in Q2 compared to the same period last year – perhaps not too surprising with interest rates hitting a 15 year high.

The Government has announced a renewed focus on unblocking the planning system in a bid to meet its manifesto commitment to build one million homes over this Parliament, but I struggle to see that there will be an improvement in the number of completions until there's a significant fall in inflation and mortgage rates are eased.

On a more positive note, a shortage of quality housing in the UK means the long-term outlook for the adhesives and sealants sector remains positive.

Focusing on the here and now, with the volume of construction activity in decline, it's never been more important for merchants to stand out from the crowd. A recent report from buying group NBG found that, since the pandemic, 92% of trade sales are taking place through physical channels.

When tradespeople were asked why they chose to buy in-store, access to product knowledge and advice scored highly, along with good customer service. It's therefore imperative that merchants work closely with suppliers to ensure their ranges are well merchandised and easy to shop to ensure the in-store experience is as good as it can be for the end user.

At Bostik, we've recently been working with independent merchants to introduce a shop-in-shop offering, which includes branded POS that provides clearly positioned, simplified ranges to ease product selection, with TV screens showing the key products in action. Initiatives such as these will help to ensure that merchant branches remain the preferred point of purchase for tradespeople in the short term at least.

However, while digital penetration in the merchant sector appears low in terms of sales, tradespeople are using digital channels to conduct activities that can be complementary to the trade counter. Having a good online offering that allows tradespeople to research products, pricing, and availability before travelling to store is a sure way to success.

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# Expert Panel

## Bricks & Roof Tiles

(Part of Heavy Building Materials)



### **Kevin Tolson, Commercial Director Wienerberger UK is BMBI's Expert for Bricks & Roof Tiles.**

The Office for National Statistics (ONS) reports that monthly construction output is estimated to have increased 1.6% on volume terms with increases in both new work (0.2%) and repair and maintenance (1.1%) on the month.

The latest Glenigan Construction Review highlights that residential work commencing on site during the three months to June fell 10% against the preceding three months. Detailed planning approvals for residential projects decreased 19% on the previous three months too.

Cutbacks in new housebuilding projects continue to weigh on construction output, but there is hope. Bank of England data shows British lenders approved the highest volume of mortgages since October 2022 in March. Housebuilders are highlighting a recovery in buyer interest too, as the public's confidence in the economy hasn't decreased as much as first expected. Plus, as UK economic forecasters are stepping away from their recession predictions after falling energy prices and stronger spending helped to support growth in the first half of 2023, the future is looking brighter than first anticipated.

So, although the construction sector has faced a difficult time recently, the fear that high inflation, strikes and financial turmoil would lead to falling output hasn't happened as builders and manufacturers have recorded faster growth than initially estimated.

One area that is booming right now is solar energy, with small-scale residential solar panel installations accounting for 73% of the UK's added solar capacity in 2022. More than 60,000 installations were completed in Q1 2023, the highest-performing quarter since Q4 2015. Renewable energy technologies like solar PV are on the rise and this is where the future in construction is headed.

We launched our Sandtoft in-roof solar range earlier this year as we know that offering solutions to help meet energy goals is vital, especially for meeting new regulations such as the recent changes to Part L and the 2025 Future Homes Standard. If we can make the lives of people in the industry easier with our products, then we're doing our job.

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# Expert Panel

## Windows & Doors

(Part of Timber & Joinery Products)

# deceuninck



### **Rob McGlennon, Managing Director of Deceuninck UK is BMBI's Expert for Windows & Doors.**

If we needed reminding that sustainability is serious and not a buzzword, and that energy saving, moving rapidly to zero carbon, producing long life, minimum maintenance products and prioritising recycling contribute to attaining it, then reports from across the world should do it in spades.

We've seen video footage of extreme flooding in China's capital city, Beijing; forest fires in Canada and Hawaii; and widespread reporting of heatwaves and record-breaking temperatures in many countries. Parts of Iraq have experienced 50+C for seven consecutive days this August with minimum temperatures not dropping below 37C at night. Aside from being hard to bear, these extreme temperatures make it very difficult for humans to cool down, leaving the body vulnerable to heat-related health risks.

At its simplest, sustainability means fulfilling the needs of current generations without compromising the needs of future generations. So, sustainability means designing energy efficient products with minimum embodied energy, that last a long life with minimal maintenance. And when they do come to end of life, they can be recycled many times over, thus conserving much of the embodied energy in their manufacture.

Research conducted by YouGov with consumers (over 2,000 UK adults including 1,351 homeowners) for Deceuninck and published in 2022 shows that homeowners are buying sustainability when they can. Sixty six percent would choose windows and doors with a higher level of recycled content over one with a lower level of recycled content for the same level of performance and cost. Only 2% would choose a product with less recycled content.

But homeowners often don't know which products are more recyclable, or their recyclable content. For instance, while research shows that 50% of homeowners think PVC-U is the window and door material that's the most energy efficient, only 14% know that it's 100% recyclable at end of life. We all have much to do to get our messages across.

The good news from our survey is that sustainability is important to all homeowners, but it's increasingly important to tomorrow's buyers. Sixty eight percent of the 25-34-year-olds who took part in the survey said they were more likely to buy windows and doors that they saw as more sustainable.

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We all have much to do to get our messages across.

# Expert Panel

## Steel Lintels

(Part of Heavy Building Materials)



### **Derrick McFarland, Managing Director Keystone Lintels is BMBI's Expert for Steel Lintels.**

The second quarter of 2023 started with a horrendous April before 'recovering' in May and June to make us feel slightly better, although significantly down on the same period last year. Overall, it was similar to Q1 2023, which is a massive reflection on the current market, which should be buoyant this time of year.

Rising interest rates and high inflation continue to influence consumer confidence and the new build and RMI market, as decisions on spending on housing are being delayed or postponed. The drop in manufacturer volumes is having a significant impact on labour costs, but it's critical we all maintain a skilled workforce to allow for market improvement in the future. The impact of Part L new building regulations applying to all projects from 15 June 2023 requires steel lintel manufacturers to hold a far greater breadth and depth of stock ranges. No longer is there a product range that delivers mass production efficiencies.

Recent statistics on new home registrations in Q2 2023 are fairly alarming, although these need to be considered in combination with plots registered previously to beat the building regulation changes. Through Q3 & Q4 2023 we will see those pre-June 23 plots switch to the new regulations requiring hi-therm lintels, spread across the three main cavity widths. Cavity widths are also changing in the RMI market, yet enquiries are still mainly for 100mm cavity.

Our advice, for our loyal stocking merchants, is not to rush into rash stock range changes but work with us to understand your local demand and specification. Together we will develop your future stock range to benefit your yard and sales teams.

Sustainability is a key area for Keystone, in terms of our offer and our own business operations. We are committed to reducing emissions in our own operations by 60% by 2030, in line with the Climate Change Council's ambitions. This pledge builds on the work we've already completed such as ensuring Keystone packaging is fully recyclable, using renewable energy throughout manufacturing, opting for electric forklifts and hybrid-electric cars, and switching to LED lighting.

We hope to lead by example, showing our industry peers, partners and customers what can be achieved when you fully commit to reducing your carbon footprint.

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# Expert Panel

## Drylining Systems

(Part of Heavy Building Materials)



### **Gordon Parnell, Sales Director, British Gypsum, part of Saint-Gobain Interior Solutions, is BMBI's Expert for Drylining Systems.**

Sales volumes were lower in Q2 compared to the same period last year. However, this was in line with expectations, and we performed well across our principal sectors. Conditions were challenging in the residential sector, but other sectors were relatively stable. We remain cautious, given the continuing impact of rising interest rates and overall uncertainty in the economy.

While we continue to see growth opportunities, market conditions are difficult. Construction company insolvencies are on the rise again. An on-going preference for fixed-price contracts is impacting many of our customers, and the industry must look to address these. In periods of weaker demand and project start delays, the supply chain needs to show more willingness to be flexible, and greater visibility of work pipelines.

The UK's economic future is still uncertain, but it is predicted that we will likely escape a recession thanks to improving energy prices, a more resilient global environment, and continuing tightness in the labour market. Nevertheless, growth is expected to be weak by historical standards. It's clear we need to do more to innovate and drive-up value in our sectors. In its recent Economic Forecast, the CBI stressed the importance of businesses investing and focussing on decarbonisation. British Gypsum's investment in this area is well established, and we know what we need to focus on to evolve our approach.

One of our key objectives is to increase the number of Environmental Product Declarations (EPDs) that we publish for our products. They enable customers to make informed decisions on product selection and guide us in reducing the embodied carbon of our products and help further advance innovation.

We're heavily focused on reducing the carbon footprint of our distribution network. In 2022, we introduced vehicles fuelled by hydrotreated vegetable oil (HVO) and liquefied natural gas (LNG) into our UK fleet. We're also trialling deliveries to customers in fully electric vehicles. People are looking to us to drive change, and we'll continue to pioneer new and improved ways of working to reduce our environmental impact.

Continuing to innovate in the delivery of new and improved buildings is vital. While construction market growth forecasts are subdued, we're positive about the future outlook and are well positioned to support the needs of the construction sector with high-quality products, systems and services.

An on-going preference for fixed-price contracts is impacting many of our customers, and the industry must look to address these.

# Expert Panel

## Mineral Wool Insulation

(Part of Heavy Building Materials)



### **Neil Hargreaves, Managing Director Knauf Insulation is BMBI's Expert for Mineral Wool Insulation.**

The second quarter of this year was turbulent even by construction's recent standards.

Inflation has proven stickier than first anticipated, and we've seen successive interest rate rises in response – the pace of which took markets by surprise. The resulting concerns about mortgage affordability saw housebuilder share prices take a hammering, though at the time of writing they've recovered much ground.

Tougher times for construction, then, but this is not 2008. Our sector is still underpinned by solid fundamentals. With an acute housing shortage and a population that continues to grow, the UK needs more homes. Current uncertainty may pause activity, but it's unlikely to seize up for long.

The other fundamental is that these homes – and all others too – must urgently be made more energy efficient. June saw the end of the Part L transition period, and every new home must now meet the higher standards. We expect the full impact of this change to be felt in the final months of this year.

What does that impact look like?

Simply put – compliance means more insulation. When I talk to customers, many plan to go deeper with loft insulation in response – from 270mm up to 500mm. Likewise, we expect to see an increase in customers building with wider wall cavities of 150mm – to be sure of the in-situ performance of their chosen insulation, and to future proof the home for the next round of energy efficiency changes to come.

More insulation per home should mean merchants see overall volumes increasing. Margins should improve too – as the increased standards create more opportunities to sell value-added products.

In other words, even if other market segments face a slowdown, we expect demand for mineral wool insulation to remain resilient throughout 2023, and beyond.

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# Expert Panel

## Cement & Aggregates

(Part of Heavy Building Materials)



### **Andrew Simpson, Packed Products Director Hanson Cement is BMBI's Expert for Cement & Aggregates.**

After a sluggish first quarter, Q2 was better than expected for cement and aggregate sales particularly towards the end of June. However, volumes remain behind expectations.

The latest figures from the Mineral Products Association show that lower construction demand led to a decline in Q2 sales with primary aggregates (-3.7%), asphalt (-3.1%), ready-mixed concrete (-5.2%) and mortar (-6.4%) all down compared to the previous quarter.

At Hanson, our bulk sales have been quieter than expected but bagged products are now back on target for the year. This is reflective of the broader industry trends – while inflation and high interest rates mean that infrastructure projects have hit some (temporary) set-backs and housebuilding remains a concern, there is still a demographic within the residential market which continues to spend on repair, maintenance and improvement projects.

As we head into budget season, continued demand uncertainty coupled with persistent cost inflation is making it difficult for many businesses to accurately predict what will be happening in H2 2023, let alone 2024. With a possible general election on the cards next year too, it's a real challenge to forecast what factors will be influencing volumes in the near future.

The recent changes to the extended producer responsibility for packaging regulations mean that reporting packaging data is now mandatory from August 2023. There was some relief for the industry though as the roll out of additional packaging fees has since been deferred for a year.

That said, we are already seeing proactive merchants switching to our Multi-Cem Tough Bag cement in place of our single use plastic bagged cement. We expect more merchants to switch in the coming months to stay ahead of the cost increases associated with plastic packaging – and to reduce their impact on the environment of course.

Unfortunately, it looks like it could be a tougher third and fourth quarter for the industry. This has already been signalled by merchant profit warnings and sector supplier redundancies, demonstrating the impact of falling volumes in the starkest of terms.

...there is still a demographic within the residential market which continues to spend on repair, maintenance and improvement projects.

# Expert Panel

## Fasteners and Fixings

(Part of Ironmongery)



### **Ian Doherty, Chief Executive of Hexstone, and the Owlett-Jaton brand, is BMBI's Expert for Fasteners & Fixings**

The forecasted declines predicted for both the construction and RM&I sectors do seem to be being translated into reality with substantial declines in both sectors. In turn, this is reflected in volume decline in the fastener and fixings sector.

Given the current economic outlooks for both the economy generally and construction specifically, it seems unlikely these downward volume trends will continue through the rest of 2023.

While interest rate rises are having an adverse effect on construction activity, they have helped the pound strengthen against the US dollar. Slower global economic growth has led to lower demand for products in China, leaving many factories running under capacity, which has allowed prices to ease somewhat.

These factors, together with contracted shipping costs remaining stable, has led to moderate cost price deflation in sterling for fastener and fixing product imports – which covers the bulk of products sold in the UK.

This deflation is starting to feed through into the market with some prices starting to ease and should continue for the rest of the year and into early 2024.

The war in Ukraine continues to impact the sector in unexpected ways. The EU has updated its sanctions on Russia by introducing new measures from 1st October 2023, which require importers of all steel products to prove the original steel in the products did not come from Russia, irrespective of where the product was manufactured.

This has the potential to disrupt the supply chain to Northern Ireland as most stock currently in the UK will not have the necessary certification to allow its entry into the EU single market, of which Northern Ireland is part.

It also seems very likely the UK will introduce a similar measure shortly, but as long as a few months' notice is provided by the Government, this should not disrupt the UK market.

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# Expert Panel

## Paint

(Part of Decorating)



### **Paul Edworthy, Commercial Lead: Builders Merchant Group; Dulux Trade is BMBI's Expert for Paint**

June this year included 22 working days compared with just 20 for June 2022 on account of the late Queen's Platinum Jubilee, with the late May 2022 bank holiday moved to June 2022. The extra day for the Jubilee made a total of two bank holidays in June 2022. Because of this, the rolling quarterly figures provide a fairer measure of performance as both Q2 2022 and Q2 2023 have exactly the same number of working days (60 in total).

On this basis, decorative trade paint litreage was 3% higher in the last 3 months with woodcare up 8%. In the case of paint this was the best quarterly outcome since January this year while for woodcare it was easily the best improvement for over two years. For the last month alone, trade paint sales increased 8% in June being the second consecutive monthly improvement. In woodcare, trade woodcare was 67% higher.

Looking at longer term measures, this year-to-date, volume was 1% higher than in the first six months of 2022, while the MAT figure shows that over the last 12 months as a whole, there has been a 0.6% increase compared to the same period a year earlier. All of these metrics are indicating a more positive market as we enter the second half (H2) and with Exterior being suppressed in H1 2022 due to poor weather there is still room to grow.

In terms of sales by sector, sales to builders' merchants were down 9% in Q2 2023 compared to Q2 2022. There are some signs that raw material prices are coming down which should inspire new work starts and, with that, bring more volume to the builders' merchant sector.

According to ONS, monthly construction output is estimated to have decreased 0.2% in volume terms in May 2023. This is the third consecutive fall in the month-on-month series, with the monthly value in level terms at £15,360 million. The decline in monthly output came solely from a decrease in new work (0.4% fall), with repair and maintenance being flat (0.0%) on the month.

Anecdotal evidence continued to indicate a slow-down in private housing, referencing customers' economic worries. However, some businesses across other sectors continued to report an easing in inflation.

...decorative trade paint litreage was 3% higher in the last 3 months with woodcare up 8%... for woodcare - it was easily the best improvement for over two years.



# Expert Panel

## Roof Windows

(Part of Timber & Joinery Products)



### **Jim Blanthorne Managing Director of Keylite Roof Windows is BMBI's Expert for Roof Windows.**

Activity levels in the second quarter confirmed the slow year we predicted at the start and were only a little improved on the first quarter, which is normally seasonally quieter.

All the data points to consumer confidence being low, and people understandably opting to keep any pounds they have left in their pocket, safe in their pocket. Inflation remains stubbornly high, and its impact on interest rates and therefore the cost of borrowing for home improvement or a new home purchase has significantly reduced demand. This too is in line with industry expectations.

For manufacturers, low market demand has been combined with merchants reducing their own stock levels to release cash. At Keylite, we have been supporting customers to optimise their ranges and ensure they are best placed to serve shifting demand. Allied to an agile logistics model and our own extensive stock holding, we can ensure that lower volume items and make-to-order specials can be delivered to stockist partners quickly when required.

Lower volume results in more material supply, but the whole supply chain has a level of overheads to absorb if we are to remain capable of the growth and flexibility required to deliver the volume of homes the country will require in the future.

Similarly, wage inflation expectation in the supply chain will be significant while inflation remains high and unemployment levels remain low. In Poland, where we employ most of our workforce, the statutory minimum wage will rise again by some 20% from January 2024. We continue to automate processes in an attempt to offset as much of the increased cost as possible, but when these higher labour costs are amplified by a weaker pound it translates into a major pressure on margin, so price increases next year will be unavoidable.

There are signs of improvement in both inflation and cost of borrowing, but in the absence of significant stimulus we don't expect major improvements this year. Our teams are remaining positive and will continue to work hard to win orders and back sell through our stockists, as always.

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# Expert Panel

## Website & Product Data Management Solutions



**Chris Fisher, Vice President of the EMEA lumber, building material and hardware (LBMH) division, at ECI Software Solutions is BMBI's Expert for Website & Product Data Management Solutions.**

The vast shift in public exposure to online shopping in the post-2019 landscape has compelled the industry to evaluate its digital strategies. In 2022 Forbes reported that building materials were in the top three industries growing over 100% between 2019 and 2021. Catalysed by global events and a marked increase in consumer reliance on digital interfaces, the sector responded variously to the limited digitalization present. Some businesses seamlessly transitioned and reaped benefits, others had to innovate to survive.

But now with consumers habituated to first seeking options online, businesses are at a crossroads. This surge in digital attention mirrors a phenomenon we've seen in broader retail spaces. Online content, from sponsored influencers to how-to videos, is more than just omnipresent; it's influencing purchasing decisions. For those equipped and willing to vie for this new business, it presents an opportunity; for others, a challenge.

Many DIY enthusiasts rely heavily on digital content for project guidance. Moreover, they prefer businesses that provide quality materials and engage them through trusted content. This online trust becomes even more crucial as many customers feel more informed than some in-store staff, given the staff turnover we've seen in recent times.

The modern-day challenge for businesses lies in the frequency and accuracy of information updates on product availability, delivery timelines, and stock conditions. Imagine if all this could be streamlined through an online interaction, available outside branch hours when needed most? Automation not only ensures timely updates but also drastically reduces manual interventions and errors.

How often are your most experienced people tied up answering phone queries about prices, delivery, invoices, or store timings? In today's digital age, a rich website proposition isn't a luxury; it's essential. It's the minimum expected to provide accurate and real-time engagement to customers.

While the past 20 years saw a gradual embrace of digitalisation, the last three have exponentially accelerated this process. To stay competitive, our industry must not only adapt but thrive in this digital revolution. Mind the gap, or risk being left behind.

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# Expert Panel

## Plumbing & Drainage



### **Charles Burns, Divisional Director at Brett Martin is BMBI's Expert for Plumbing & Drainage.**

With more than 60 years' manufacturing experience in the building materials market, Brett Martin is family owned with a 1,000 strong workforce, operating from multiple sites across the UK.

Known for a consistent partnership approach with merchants, backed by reliable customer service and dependable product quality, Brett Martin is a preferred supplier across a number of sectors. It's the UK's largest independent supplier of plumbing and drainage products. Continued investment is driving product innovation and supporting carbon reduction initiatives. These include onsite solar and wind-generated renewable energy, supporting a new generation of low carbon construction products.

There were few surprises in the Q2 overall market trends as construction activity continued to regress from the highs of the elevated 2022 post-Covid period. While not surprising, it was disappointing that the UK economy continues to suffer from high inflation which is draining disposable income and fuelling interest rate rises. This hits both consumer and business confidence with regards to house purchases and commercial investment respectively.

Most commentators agree this set of economic indicators is unlike any other we've seen before, as a falling economy has previously always been accompanied by job losses and other recessionary indicators. In 2023, staff shortages are amplifying wage pressures and contributing to supply chain issues, reflecting a unique set of circumstances behind current market trends.

Underground drainage systems are typically installed at the first stage of a build project, so product volumes in the new build sector are dipping in line with the fall in new starts. Rainwater and plumbing systems are used towards the end of the build process and this, together with a larger exposure to the RMI market means that market demand has been slower to reflect the overall trend. However, boosted by our investment in product innovation and service, Brett Martin is outperforming the market.

Sentiment from merchants varies slightly depending on the customer profile of their business. However, with most housebuilders reporting significant downward trends on both new starts and sales it's inevitable that merchants will see plumbing and drainage sales follow this trend to a lesser or greater degree. As manufacturers, our role is to support merchants with services to boost efficiencies and make the most of the many opportunities that still exist in the market.

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# Expert Panel

## Heating & Cooling



### **Matt Williams, Managing Director Polypipe Building Products is BMBI's Expert for Heating & Cooling**

Polypipe Building Products, part of Genuit Group, is one of Europe's largest, most innovative manufacturers of plastic piping systems and low-carbon heating solutions for the residential market. The company specialises in products for domestic properties for new build and RMI markets with over 5,000 products to suit any installation in a range of aesthetics. Over its 40-year existence, Polypipe has grown from a small plastic pipe manufacturer based in Doncaster to a group of 17 businesses helping the UK construction industry build better and more sustainably.

Genuit sees itself as a thought leader in the future sustainable built environment and provides construction solutions way beyond plastic pipes and fittings, ranging from MVHR (Mechanical Ventilation with Heat Recovery) and SuDS (Sustainable Drainage Systems) systems to magnetic filters and anti-corrosion chemicals. Our goal is to innovate and improve our products and services to help the UK reach net zero and influence the market to drive towards future best practices and systems.

Recent Part L building regulations updates are the steppingstone to the Future Homes Standard in 2025, and heating homes has become possibly the single biggest challenge facing UK housing developers and housing providers. The next few years will see the most fundamental change in heating domestic properties since gas boilers and steel radiators in the late 1970's and 80's. Gas is being phased out and heat pumps promoted by the government as a more sustainable electric heat source. This presents opportunities for new and different heating solutions such as Underfloor Heating.

The focus on decarbonisation is leading to a much higher level of insulation in new build homes. But this challenge to heat homes quickly is also a challenge to keep homes cool, particularly with record summer temperatures being broken regularly and expectations that it will get hotter. For this reason, heating and cooling must be considered together to provide truly better homes for the future.

We're therefore joining the panel of BMBI Experts to focus on heating and cooling while we work together as an industry to provide solutions to this challenge. Genuit has complete, ready-made heating and cooling solutions for homes, and we will continue to invest in renewable technologies to drive sustainable living.

...heating and cooling must be considered together to provide truly better homes for the future.

# Appendix

# Trading Days

## Monthly

Index: 20.8

2021											
Jan 20	Feb 20	Mar 23	Apr 20	May 19	Jun 22	Jul 22	Aug 21	Sep 22	Oct 21	Nov 22	Dec 17
2022											
Jan 20	Feb 20	Mar 23	Apr 19	May 21	Jun 20	Jul 21	Aug 22	Sep 21	Oct 21	Nov 22	Dec 16
2023											
Jan 21	Feb 20	Mar 23	Apr 18	May 20	Jun 22	Jul	Aug	Sep	Oct	Nov	Dec

## Quarterly

Index: 62.3

2021			
Q1 63	Q2 61	Q3 65	Q4 60
2022			
Q1 63	Q2 60	Q3 64	Q4 59
2023			
Q1 64	Q2 60	Q3	Q4

## Half Year

2021	
H1 124	H2 125
2022	
H1 123	H2 123
2023	
H1 124	H2

## Full Year

2021
249
2022
246
2023

# GfK's Definition of Builders Merchant Panel



## Generalist Builders Merchants definition:

- Builders Merchants handle an extended range of building materials and components (e.g. doors, windows, interior furnishing materials, insulation materials, tiles, cement, mortar, adhesives, sealants, nails, hardware products, pipes, ironware, paint) and generate their turnover with professional end users. Only multiple merchants are considered; they are defined as having more than 3 outlets or a turnover of greater than £3m p.a.
- This excludes branches that generate all their sales from specialized areas such as Civils, Tiles and Tools. Estimated coverage of this channel sits at 82%.

Examples include:



INDEPENDENT BUILDERS MERCHANT GROUP



# GfK's Product Categories

Reports cover category headline values & in-depth, brand-level insights



## Headline values available

### Timber & Joinery Products

Timber  
Sheet Materials  
Cladding  
Flooring & Flooring Accessories  
Mouldings  
Stairs & Stairparts  
Window & Frames  
Doors/Door Frames

### Heavy Building Materials

Bricks Blocks & Damp Proofing  
Drainage/Civils/Guttering  
Lintels  
Cement/Aggregate/Cement Accs  
Concrete Mix/Products  
Plasters Plasterboards and Accessories  
Roofing Products  
Insulation  
Cement Mixers/Mixing Buckets Products  
Builders Metalwork  
Other Heavy Building Equipment/Material

### Decorating

Paint/Woodcare  
Paint Brushes Rollers & Pads  
Adhesives/Sealants/Fillers  
Tiles And Tiling Accessories  
Decoration Preparation & Decorating Sundries  
Wall Coverings

### Tools

Hand Tools  
Power Tools  
Power Tool Accessories  
Ladders & Access Equipment

### Workwear And Safetywear

Clothing  
Safety Equipment

### Ironmongery

Fixings And Fastenings  
Security  
Other Ironmongery

### Landscaping

Garden Walling/Paving  
Driveways/Block Paving/Kerbs  
Decorative Aggregates  
Fencing And Gates  
Decking  
Other Gardening Equipment

### Plumbing Heating & Electrical

Plumbing Equipment  
Boilers Tanks & Accessories  
Heating Equipment/Water Heaters/Temperature Control/Air Treatment  
Radiators And Accessories  
Electrical Equipment  
Lighting And Light Bulbs

### Renewables And Water Management

Water Saving  
Renewables & Ventilation

### Kitchens & Bathrooms

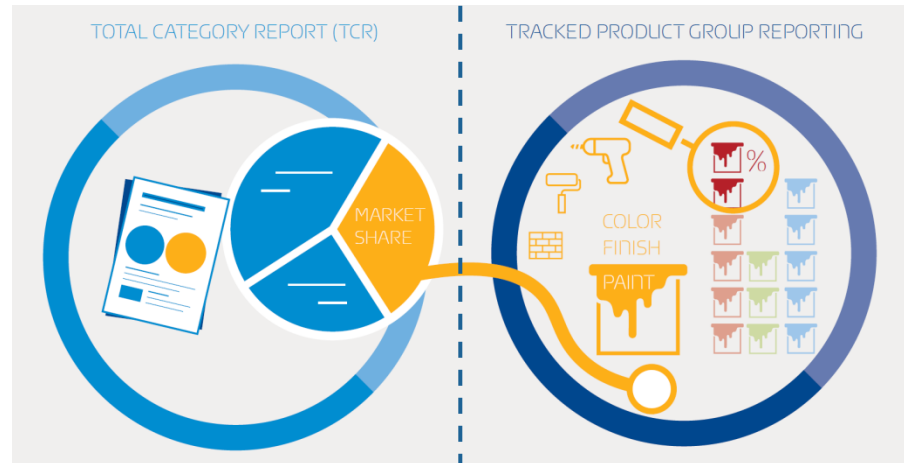
Bathroom (Including Showering)  
Fitted Kitchens  
Major Appliances

### Miscellaneous

Cleaning/Domestic/Personal  
Automotive  
Glass  
Other Furniture & Shelving  
Other Misc

### Services

Toolhire / Hire Services  
Other Services



## In-depth product group reporting

Monthly sales values, volumes, pricing analysis & distribution facts available by brand and key product features.

For insights on your product group please contact Emile van der Ryst at GfK

[emile.van-der-ryst@gfk.com](mailto:emile.van-der-ryst@gfk.com)

### Available categories:

#### Heavyside

Bricks  
Insulation

#### Lightside

Emulsion Paints (incl. Masonry & Base)  
Trim Paints  
Primers/Undercoats  
Woodcare  
Adhesives  
Sealants  
Fillers/PU Foam  
Tile Fixing (Adhesives/Grout)

# Building the Industry & Building Brands from Knowledge





“building **excellence**  
in materials supply”



“building **excellence**  
in materials supply”

## BMF (Builders Merchant Federation) Forecast Report

# BMF Forecast Report

## Spring 2023 edition



### Builders Merchants Industry Forecast Report

The latest forecast report of the BMF's Builders Merchants Industry Forecast, covering Spring 2023 onwards, is available now.

While Builders Merchants Building Index (BMBI) data, which is provided by GfK and is based on actual sales category performance, has enabled users to see which products and regions are currently growing, the forecast report takes this one stage further to meet the industry's need for accurate forecasting.

The BMF forecast model incorporates several lead indicators to signal future events that will impact our markets.

Using BMBI data coupled with advanced modelling techniques the BMF has developed a channel-specific forecasting model to show what is likely to happen in the next 12 months, making it possible for merchants and suppliers to forecast their customers' requirements more accurately.

The report is updated on a quarterly basis, with the Spring 2023 edition now available. The forecast report can be downloaded by BMF members free of charge - once logged in – [here](#).

Non-members can purchase the report by contacting Thomas Lowe on 024 7685 4994 or email: [thomas.lowe@bmf.org.uk](mailto:thomas.lowe@bmf.org.uk)



# Contact us

For further information



**Emile van der Ryst**

Senior Client Insight Manager - Trade

[Emile.van-der-ryst@gfk.com](mailto:Emile.van-der-ryst@gfk.com)

+44 (0) 20 7890 9615



**Thomas Lowe**

Industry Analyst / Economist

[thomas.lowe@bmf.org.uk](mailto:thomas.lowe@bmf.org.uk)

+44 (0) 24 7685 4994



**Yvette Kirk**

Research Projects Director

[yvette@mra-research.co.uk](mailto:yvette@mra-research.co.uk)

+44 (0) 1453 521621