

“building **excellence**  
in materials supply”

# Builders Merchant Building Index



## Executive Summary - Quarter 3 2023

(Published 29 November 2023)

# Highlights

“The most recent quarter has been difficult for merchants, mirroring much of what has been observed in the wider UK economy.”  
Emile van der Ryst, Senior Client Insight Manager - Trade, GfK. Read Emile’s full comment on page 10.

## BMBI Report Q3 2023 Highlights

(unadjusted for trading days)

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



Q3 2023 total  
sales down -3.3%  
on Q3 2022

**-3.3%**



Q3 2023 total  
sales down -1.4%  
on Q2 2023

**-1.4%**



Sep 2023 total  
sales down -6.1%  
on Sep 2022

**-6.1%**



MAT total sales down -1.9%  
on Oct 2021 - Sep 2022

**-1.9%**

“Value sales in  
Q3 were -3.3%  
lower, with  
volume falling  
-10.5% and  
prices up +8.0 %.”

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# 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 3 and September 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 12 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

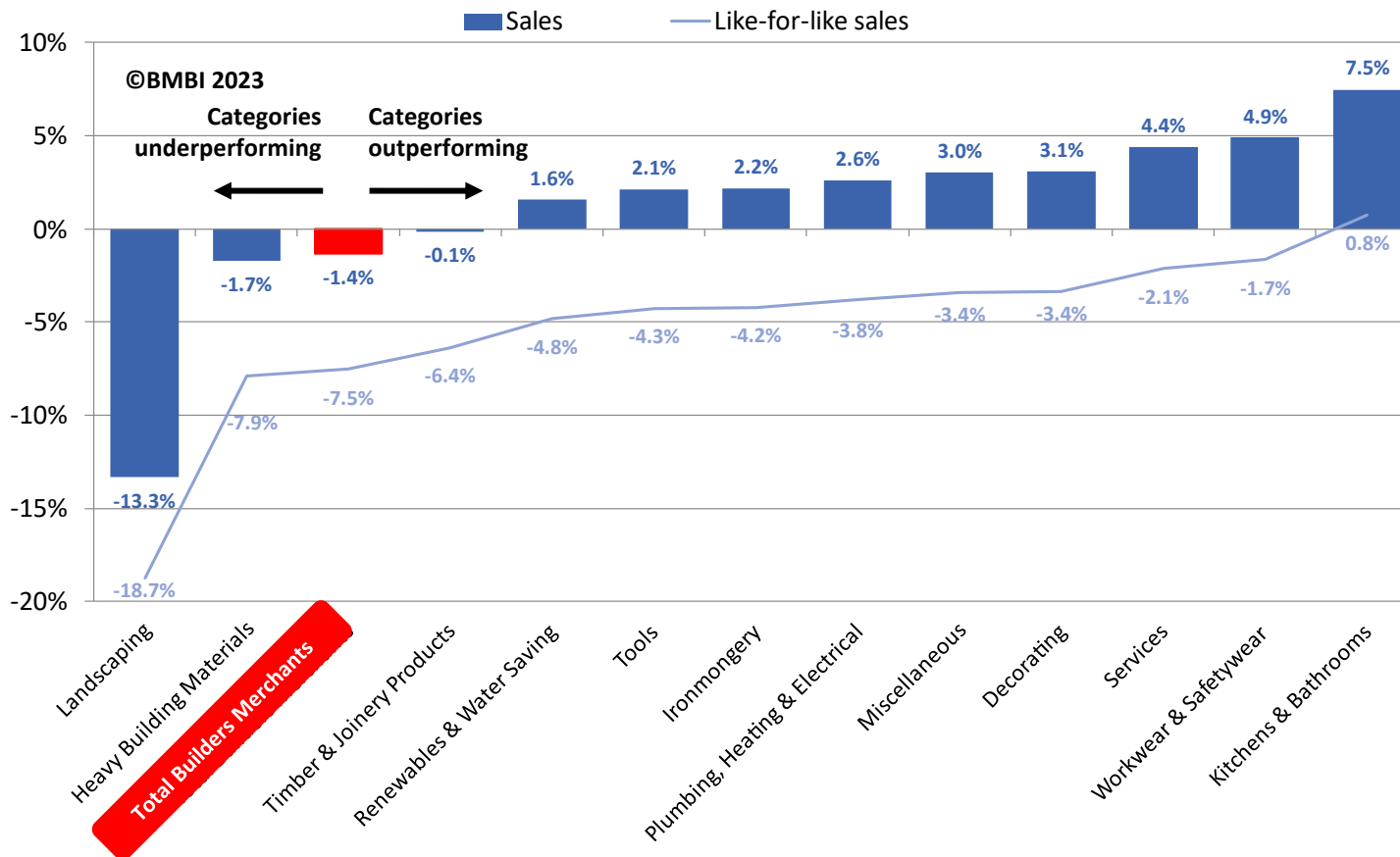
## Q3 2023 sales and like-for-like sales

64 trading days this quarter v 60 trading days last quarter.

Like-for-like sales take trading day differences into account.



### Quarter 3 2023 v Quarter 2 2023



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

Total sales in the last three months were -1.4% lower than in the previous three.

Kitchens & Bathrooms (+7.5%) grew most.

# Quarterly: This Year v Last Year

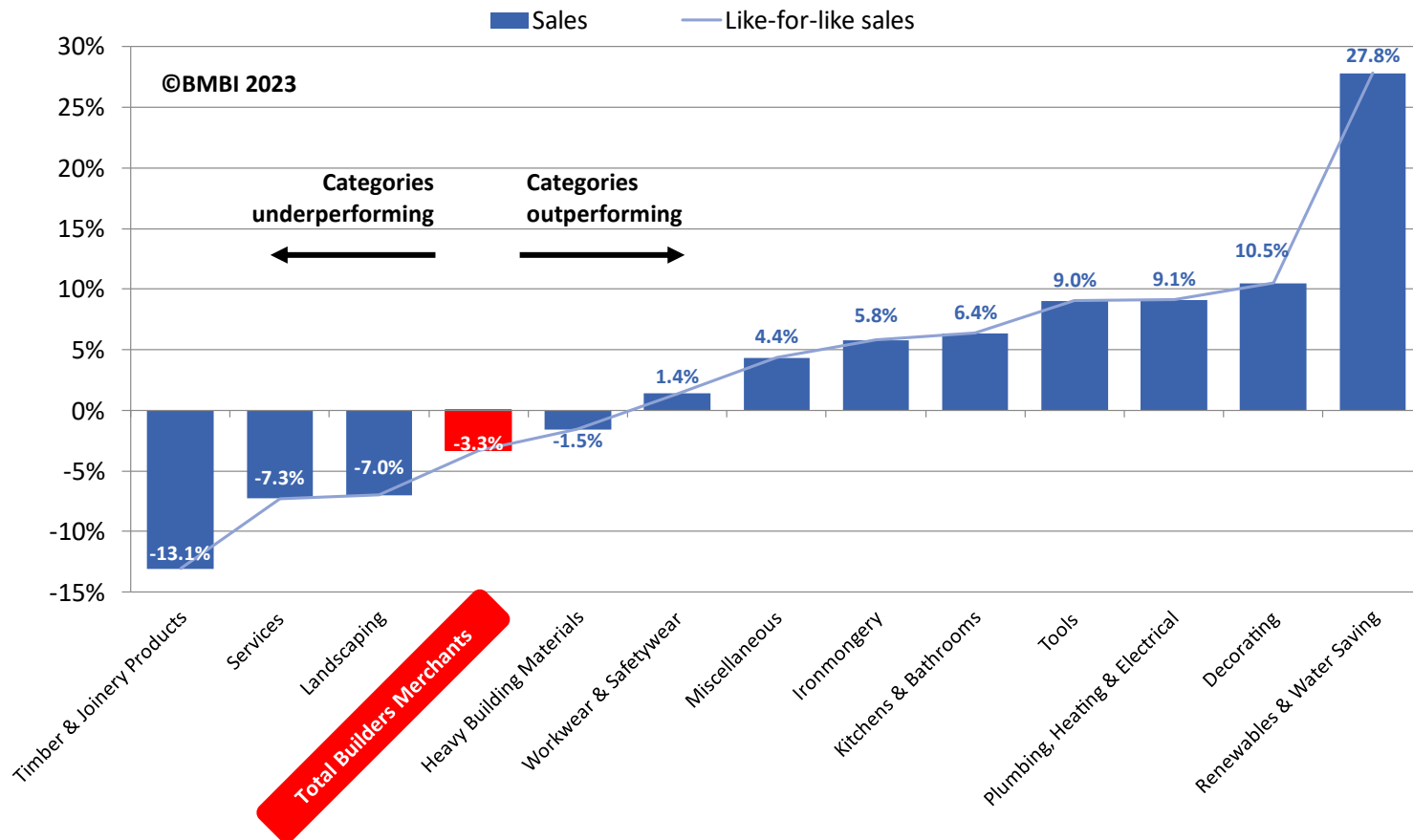
## Q3 2023 sales and like-for-like sales

There was no difference in trading days (64).

Like-for-like sales take trading day differences into account.



### Quarter 3 2023 v Quarter 3 2022



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

Total Q3 value sales  
were down -3.3% on  
Q3 last year.

Volume sales were  
-10.5% down with  
price up +8.0%.

# Last 12 Months: Year on Year

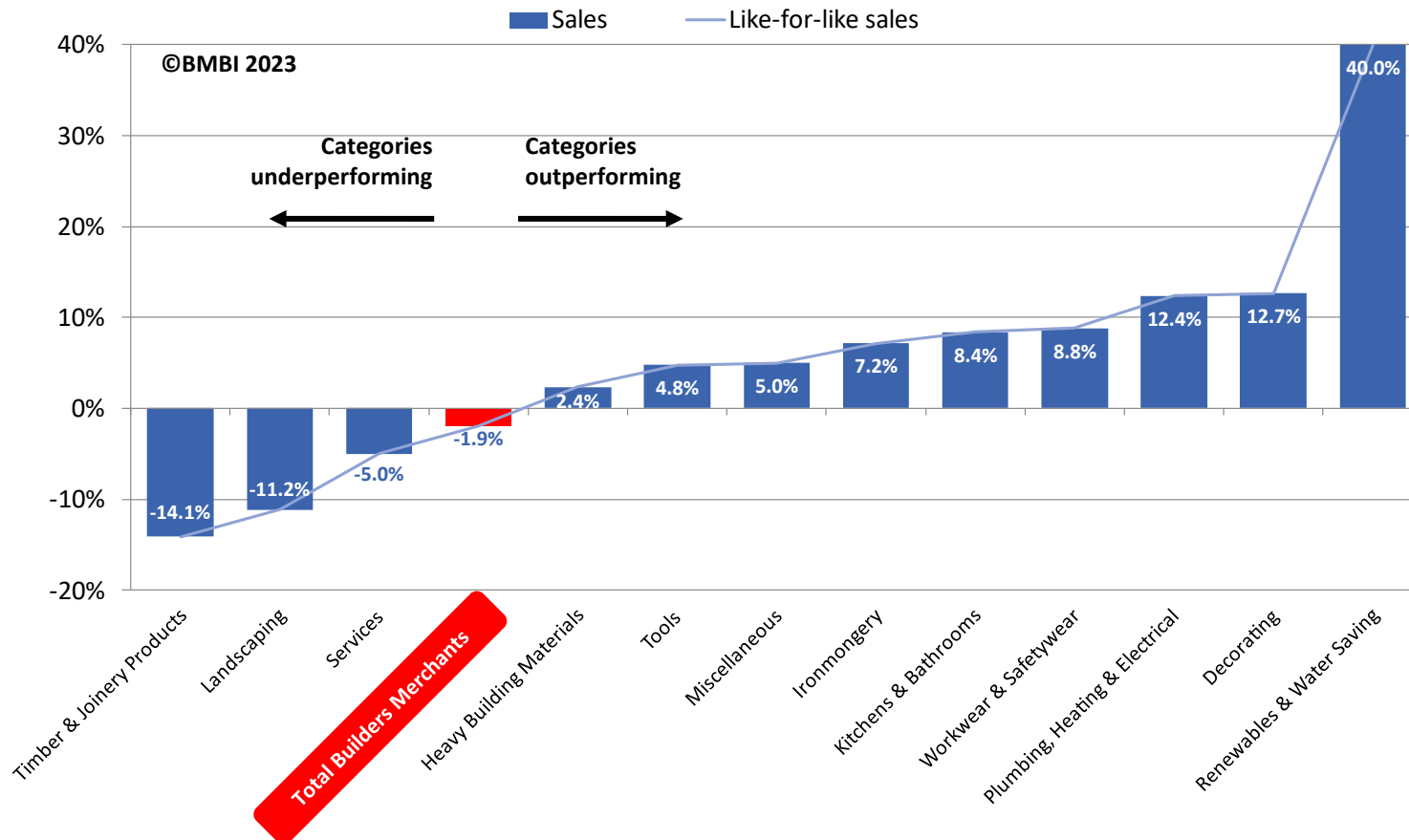
## Sales and like-for-like sales

There was no difference in trading days (247).

Like-for-like sales take trading day differences into account.



## 12 months Oct 22 to Sep 23 v 12 months Oct 21 to Sep 22



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

Total Merchants sales in October to September were -1.9% down on the same period last year.

Volume sales were -13.0% lower, price was +12.8% higher.

# Quarterly: Index and Categories

Quarter 3 2021\* to Quarter 3 2023

Indexed on July 2014 to June 2015



QUARTERLY SALES VALUE INDEX	Index	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
<b>Total Builders Merchants</b>	<b>100</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>	<b>147.3</b>
Timber & Joinery Products	100	191.9	160.7	171.7	177.5	170.6	142.3	145.5	148.5	148.3
Heavy Building Materials	100	133.3	118.7	132.7	148.8	149.2	128.8	137.1	149.5	146.9
Decorating	100	112.9	104.6	114.2	120.1	125.4	120.0	130.8	135.0	139.2
Tools	100	97.6	94.6	107.3	106.1	102.0	97.6	109.1	108.5	110.8
Workwear & Safetywear	100	98.3	113.3	117.1	112.4	121.5	130.1	134.5	117.5	123.2
Ironmongery	100	126.2	117.2	133.4	135.5	138.8	128.5	142.8	143.6	146.7
Landscaping	100	184.0	128.3	161.9	222.5	181.7	120.6	132.3	194.9	168.9
Plumbing, Heating & Electrical	100	116.7	127.2	143.0	129.8	133.2	150.9	161.3	141.7	145.4
Renewables & Water Saving	100	71.2	70.9	90.9	86.0	98.5	104.8	128.2	123.3	125.2
Kitchens & Bathrooms	100	125.3	120.8	135.7	138.3	146.9	138.2	147.4	145.4	156.2
Miscellaneous	100	122.1	114.3	130.7	128.3	130.5	119.3	134.2	129.0	132.9
Services	100	132.1	121.8	126.4	138.0	141.5	123.7	120.7	125.7	131.2

\*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 September 2023

# Quarterly: Index

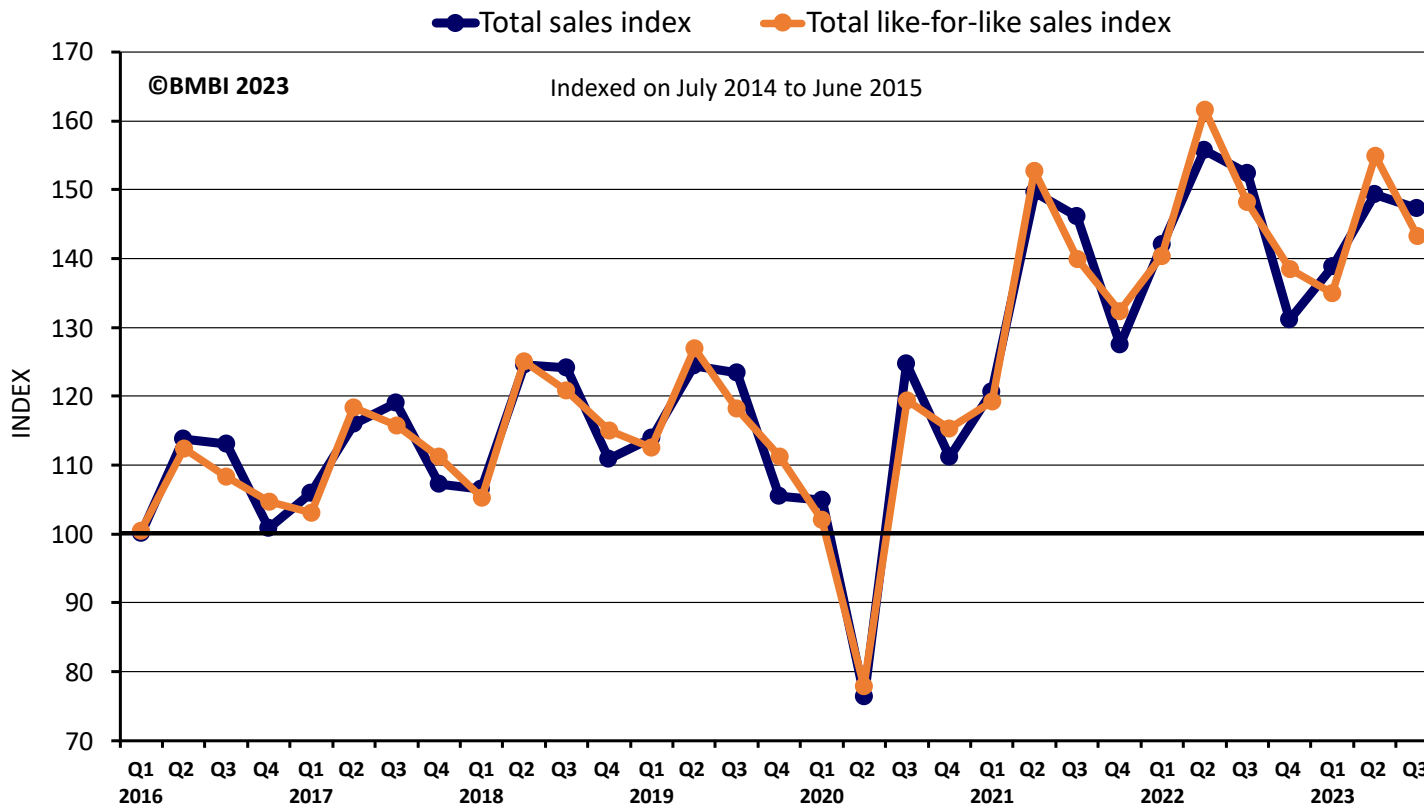
## Sales and Like-for-like index

64 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 September 2023

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



The Q3 BMBI Index  
was 147.3.

With two more  
trading days in the  
most recent period,  
the like-for-like sales  
index was 143.3.

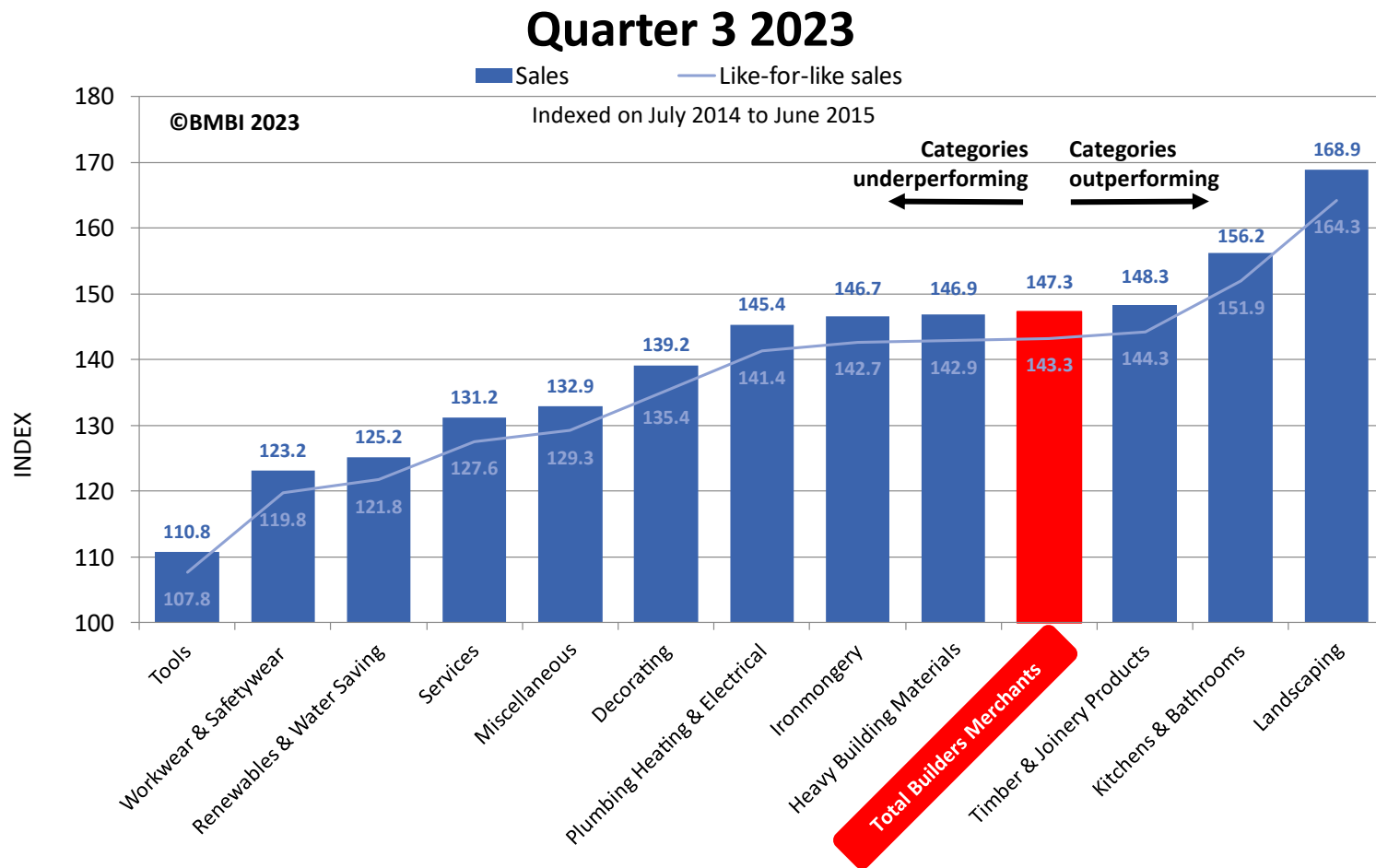
# Quarterly: Index and Categories

## Q3 2023 index

64 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 September 2023



Seasonal category Landscaping (168.9) led the field followed by Kitchens & Bathrooms (156.2) and Timber & Joinery Products (148.3) with Heavy Building Materials just behind at 146.9.

# Overview and Insights

Emile van der Ryst,

Senior Client Insight Manager - Trade, GfK



The most recent quarter has been a difficult one for merchants, mirroring much of what has been observed in the wider UK economy. House prices and property transactions are down against 2022 Q3, with the Bank of England increasing its interest rate to combat stubborn inflation.

Value growth is down by -3.3% in Q3 compared to 2022 Q3. While still in negative territory, this is an improvement from Q2 when value was down by -4.1%. Third quarter volumes were down by -10.5% year-on-year, with price growth sitting at 8.0%. Price growth understandably remains a key topic for readership of this publication and is worth unpacking a bit more in the following paragraph.

Historically the average price growth has always been kept at a certain level due to a consistent product mix. Over the past year the contribution of Bricks and Blocks, which have a lower individual unit price, has reduced while there has been an increase in higher priced items such as Aggregates, Cement, Insulation, Plaster and Plasterboard. These higher priced items contribute enough volume to the market, while also seeing better volume performance in the past year, to push up the average price. As a final point it's also worth mentioning that most of these had already peaked by the first quarter of this year, so price growth should see a noticeable drop over the coming months.

On a category level, Timber & Joinery has contributed most to the Q3 on Q3 decline, being down by -13.1% in value. Heavy Building Materials declined by -1.5%, while Landscaping was down by -7.0%. It's interesting to note that all the Lightside categories saw growth, which is reflective of the stronger performance of RMI in 2023. Decorating is up by 10.5%, Plumbing, Heating & Electrical by 9.1% and Tools by 9.0%. In most instances the value growth is mostly underlined by positive volume performance too, and price growth that is lower than the official UK inflation rate. This already shows some positivity in the market outside of the core categories.

The reality is that the fourth quarter will likely be difficult, as the longer-term problems associated with a cost-of-living crisis, inflationary pressures and mounting geopolitical issues continue to directly and indirectly affect new builds and project pipelines.

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House prices and property transactions are down against 2022 Q3, with the Bank of England increasing its interest rate to combat stubborn inflation.

# Merchants' View

John Newcomb, CEO BMF



It has been another challenging quarter for the construction industry, and particularly for the housebuilding sector.

The NHBC reports that new homes completed in Q3 2023 were 15% down on completions in the same period last year. It was an even gloomier picture for new home registrations, with new home registrations for Q3 2023 down by 57% year on year. This puts new home registrations at their lowest level since the start of the pandemic in Q2 2020, and close to levels last seen in Q1 2009.

September's figures helped push the Q3 2023 estimates from the Office of National Statistics (ONS) into positive territory, which reports construction output increasing by 0.1% over Q2 2023.

However, of the nine sectors included in the ONS figures, only three saw output increase with the largest contributors being non-housing repair and maintenance (+2.0%) and private commercial new work (5.1%). Private new housing (-2.7%) was the largest negative contributor and, at -0.4% private housing repair and maintenance also fell into negative territory.

Looking to the future, the ONS shows a +3.9% rise in new orders overall, but the largest contributors were infrastructure (+14.3%) and non-housing public new work (+23.7%). Housing new orders saw an increase of just +0.8%.

The FMB's SME membership saw an overall decrease in total workload, enquiries and employment in Q3 2023, compared to the previous quarter. The slowdown in workload was driven by housebuilding falling by -7% over Q2 2023, and industrial and commercial down by -5%.

RMI work, a mainstay for many FMB members, proved the one ray of light, with Q3 workload increasing by 14% over Q2.

However, 40% of FMB members reported a decrease in enquiries for new work. Enquiries for all work types have declined, with RMI dropping by -8% quarter on quarter, housebuilding down by -20% and industrial and commercial falling by -16%.

There was little immediate change for construction in the Chancellor's Autumn Statement and the Office for Budget Responsibility warns the UK economy is poised for two years of subdued growth and higher interest rates. While the OBR believes the UK will avoid a recession, there seems little prospect of a rapid recovery.

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# 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.**

The construction industry is no stranger to economic fluctuations and environmental concerns, however what we are currently seeing is clearly worse than the normal fluctuations.

Inflation is a critical economic indicator that directly impacts the construction industry. While it may be encouraging to see inflation falling, the rate of decline is slower than we might hope for. Interest rates have recently stopped their upward climb, providing some relief for borrowers. However, the term "higher for longer" is now a common refrain among economists. While this scenario might be advantageous for consumers in the short term, the long-term implications for construction financing need to be considered. For those of us involved in residential construction, the shift in mortgage rates is significant. The end of fixed-rate mortgages means potential homeowners will need to grapple with variable interest rates or a new fixed rate – both at much higher levels than the fixed rate they are exiting.

Construction projects often span multiple years, and contractors must anticipate potential interest rate increases, which can impact project costs and profitability and often lead to projects being shelved due to overall project costs. The lacklustre expansion of our GDP limits the availability of new projects and constrains economic opportunities for construction. Unemployment levels are a mixed bag for the construction industry. On one hand, historically low unemployment rates indicate a robust job market, which can attract skilled workers to the industry. On the other hand, the recent increase in unemployment levels is a cause for concern.

All in all, we are facing difficult conditions, which don't seem to be changing fast enough to make 2024 much more interesting than 2023.

One of the most noteworthy developments in the construction industry is the increasing prominence of timber as a construction material. As environmental concerns grow, the focus on sustainable building practices becomes more pronounced. Timber has emerged as a champion in this regard, offering a renewable and carbon-friendly alternative to traditional construction materials like concrete and steel. Timber buildings sequester carbon, promote energy efficiency, and reduce the industry's overall carbon footprint.....a positive beacon in an otherwise difficult view.

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# 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.**

Quarter 3 saw a gradual slowdown in paving sales compared to Q2. Fortunately, this was not as steep as the quarter-on-quarter drop off seen in Q3 last year.

The tail off in demand could be attributed to the exceptionally wet weather over the summer, which hampered landscaping projects, or consumers choosing to spend money on other things like holidays. But overall it does feel like a challenging time for the industry. A number of our competitors are laying off staff or restructuring and some builders' merchants are taking similar actions to remain profitable.

Pavestone is bucking the trend as we have just taken on staff. The key to our success? Working hard to win customers' business – something we didn't really have to do during the Covid home improvement boom. We are helping merchants to proactively sell paving products with training and sales support. We are also working with influencers to create a buzz on social media about our products to bring more customers to their door.

Porcelain sales continue to grow, with Indian porcelain taking market share from Italian suppliers. Shipping prices from India are now at pre-Covid levels which is helping keep the price point low. Pitted against entry level Indian porcelain, sandstone sales continue to decline.

By demand, we are now stocking 16mm porcelain slabs (standard depth is 20mm). This thinner paving will save customers a few pounds per metre, but merchants should advise landscapers on the potential pitfalls of fitting a thinner product. If the bed it's installed on is not exactly correct, it can fail, leading to call backs and complaints.

In terms of product trends, dark grey paving is losing ground to earthy, neutral toned products like greige which is growing in popularity in Europe. Following the success of our sell out marble patterned paving, which offered something unique and different to consumers, we are looking at adding more new designs for 2024.

Despite the doom and gloom and talk of recession, we remain positive that opportunities for paving sales remain strong. We just need to work harder, smarter and more creatively to secure that business.

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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.**

In Q3, as with Q2, we saw a fall in demand for private housing largely due to the increase in mortgage rates. Private housing is the largest sector of the construction industry, so the knock-on effect is a reduced footfall in builders' merchants. Forecasters have downgraded the expected construction recovery in 2024, warning the industry is now set to remain in recession until the start of 2025. Despite this, some areas of the industry - notably energy-efficiency retrofit – are continuing to perform well.

Anecdotal feedback at recent events such as Screwfix Live has shown that there's a genuine demand for more eco-friendly products from end users in the industry. When meeting with our large distribution partners, the topic of how we can support them in reaching their sustainability goals is beginning to dominate the conversation.

The adoption of sustainable suppliers is not only a moral obligation but also a strategic move for builders' merchants. Sustainable suppliers are more likely to invest in research and development, continually improving their products, making them more efficient and cost-effective. This long-term view benefits builders' merchants as they access to superior, innovative, and more environmentally friendly products.

Merchants who commit to sustainability can also gain a distinct competitive edge. They can leverage their green credentials to win tenders and contracts, demonstrating their commitment to ethical business practices.

Bostik has recently appointed a new Head of Sustainability, who will play a pivotal role in developing and implementing strategies to minimise the environmental impact of our operations. This includes reducing carbon emissions, conserving resources, and promoting circular economy principles, to further align the company with national and global sustainability targets.

The construction sector is a significant contributor to carbon emissions and resource consumption. In fact, construction creates an estimated third of the world's overall waste, and at least 40% of the world's carbon dioxide emissions. Builders' merchants, as intermediaries between suppliers and builders, have a pivotal role in reducing the industry's environmental impact. By sourcing from sustainable suppliers, they can provide more eco-friendly products and materials that promote a reduction in carbon footprint.

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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 construction industry faces difficulties navigating a complex landscape, but there are glimmers of hope, illustrating the sector's adaptability and resilience.

Within construction, private housing is anticipated to be most adversely affected by the prevailing economic conditions this year. Similarly, private housing RMI is also on a downward trajectory.

However, with the Future Homes Standard consultation on the full technical specification pending release, housebuilders should soon have a clear view on what they need to do to transition to net zero emissions, allowing them more informed choices and taking advantage of new opportunities that come with this.

A record number of solar panels were installed in the first half of 2023, with an even higher uptake expected in the second half of the year. The figures could be boosted further by one of the Big Six Energy Companies, Octopus Energy, changing how easy it is to install solar panels. Traditionally, solar roofing systems have to be registered with the District Network Operator (DNO) and achieve Microgeneration Certification Scheme (MCS) certification to be paid for any energy generated and exported back to the National Grid. That certification has arguably created a backlog which has slowed the installation of solar roofing in the UK.

Octopus Energy has simplified the process by allowing self-declaration of compliance, eliminating the need for MCS certification, and removing one of the main barriers to entry. For contractors and installers, this is the ideal time to get into the solar roofing sector, as you can get going much faster than before.

Octopus Energy is also leading with smart tariffs to optimize the use of stored energy, especially with the growing importance of batteries in low carbon energy systems. This approach aligns with the goal of maximizing the benefits of renewable sources like solar PV and promoting energy use during periods of low grid demand.

The positive developments in solar energy demonstrate the adaptability of our industry, offering opportunities for both new build and RMI. Although it will be a while before the clouds begin to lift, hopefully a positive policy stimulus in the chancellor's autumn statement, as well as the announcement of the Future Homes Standard full technical specification, could help demand to start to recover next year.

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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.

Sustainability will define the UK window and door industry in the next decade. But 'doing' is a lot harder than discussing, or sprinkling the words sustainability and net zero throughout your marketing to imply that you take sustainability seriously, and you're further down the journey than you actually are.

'Doing' is hard work, and from a business perspective it requires serious investment and a whole company integrated focus on the journey to net zero. That means measuring ourselves against clear, quantitative targets - and no greenwashing.

Consumers are ready to buy sustainable products now. Independent research we commissioned recently, conducted by YouGov, shows that more than two thirds of end users (68%) would choose windows and doors with a higher recycled content over products that don't contain recycled content, or do at lower recycled content. Being able to lower their carbon footprint had an impact on the purchasing decisions of more than 70% of respondents. And it's not just about recycled product or reducing carbon in manufacture. High energy prices have put home energy efficient front and centre.

Sustainability is as much about energy efficiency in the home as the pivotal part that collectively the industry can play in lowering UK energy consumption and homeowners bills. This is what we're doing and how we aim to get there...

Deceuninck is doing this through our pioneering recycling programme and the commitment we've made to lower our operational carbon footprint through the Science Based Targets (SBTi) programme, making our approach to sustainability 'real' - and evidence based.

We're also working to make UK homes more energy efficient in a new generation of products, including Elegant which includes the option for enhanced performance via our Linktrusion technology, and Phoenix, our 100% recycled window which we've developed for the future. We aren't as sustainable as we want to be, but we're working to get there, and we're determined to lead and support customers do the same. This includes products we supply, support to help them reduce their environmental impact, and dedicated resource and marketing support so they can tell their sustainability story.

We're inviting the industry to join us on the sustainability journey and spell out how in 'A guide to sustainability' available at [www.deceuninck.co.uk](http://www.deceuninck.co.uk).

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# Expert Panel

## Steel Lintels

(Part of Heavy Building Materials)



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

The third quarter of 2023 has offered no optimism from the continued slide in volumes from the same time last year. As reported earlier in the year, 2022 was certainly a game of two halves with the second half average around 20% lower than the first half. Mostly this was due to a stock re-balancing in line with demand. However, 2023 reaped the impact of the previous changes in policy combined with the massive spike in inflation. This has resulted in volumes dropping another 10% or so.

We can only be hopeful that with the recent freeze on interest rates and inflation reducing, at some point in the future new house building and home improvements will once again stimulate or arrest the current volume slide. However, the next few months will only get more challenging before that improvement starts to ooze through.

Within the product range the Hi-therm lintel ranges are increasing in the overall mix as Part L builds slowly come through. Although many footings put in to beat the cut-off date have yet to be sold, we estimate what should have been a November date will now be more like February/March 2024 when the full transition is implemented in terms of lintels.

Sustainability is important to everyone at Keystone. We are committed to reducing emission in our own operations by 60% by 2030 in line with the Climate Change Conical ambition. We are committed to protecting our skilled workforce even through these low volume times, so we have a sustained labour force to deliver on our commitments.

We have a board member for sustainability, but we also recruited 'superheroes' for each of our businesses. It's the passion they bring to the subject matter which drives it into the culture of the business. You've got somebody there channelling it at all times.

As an industry, we should also spend time going around universities and schools to promote our industry and tie in with university and apprenticeships schemes. If they can see some of the products we contribute to housebuilding, they're going to be impressed and maybe they'll want to be involved.

And of course, we're committed to working with our loyal customers to continue to develop longer stronger sustainable partnerships.

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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.**

We experienced lower sales volumes during Q3 compared to the same period last year as we continue to see construction activity weaken in two of the largest construction sectors: private new housing and private RMI.

Residential forecasts of further risk in relation to housing starts and completions remain a concern, given the chronic housing issues the UK faces, from the shortage of new homes to the requirement to continue to improve our aging housing stock.

While more interest rate rises are now looking less likely, longer-term forecasts of further market decline in 2024, albeit in low single digits, give cause for concern in the short term. Unlocking economic growth without clear Government policies or growth plans only leads to uncertainty for business, and this must be addressed by UK policy makers.

In these uncertain times, we remain committed to providing customers and construction partners with a 'golden thread' of product information to ensure that we support them with complete transparency. It's crucial that we do our utmost to help our customers build better.

We were delighted in Q3 to see our non-loadbearing metal stud plasterboard partition systems, including shaft wall, become one of the first products on the UK market to carry the Code for Construction Product Information (CCPI) mark. The CCPI was initiated by the Construction Product Association (CPA) as a direct result of Dame Judith Hackitt's findings in her review of Building Regulations and Fire Safety. It aims to provide an assurance to product users that the product information is clear, accurate, accessible, up-to-date, and unambiguous.

We continue to work proactively with the CCPI to reinforce our commitment to higher standards in building safety through higher standards in construction product information and product claims.

Overall, the industry is optimistic about the longer term, showing continued resilience in adversity. However, labour market regulation, the path to net zero, and decarbonisation plans are three key areas that require constant focus. It is also critical we position and underpin the crucial role the building materials sector can play in driving growth back into the economy.

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# Expert Panel

## Mineral Wool Insulation

(Part of Heavy Building Materials)



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

Construction confidence has taken a battering of late, with geopolitical instability picking up even as interest rate rises have slowed. Despite this mixed picture, the market outlook for insulation remains positive. The urgent need to address rising energy costs and the climate crisis means demand for insulation is assured, even in the face of some retrenchment of green policies.

The amount of insulation merchants sell is likely to remain high, but that doesn't mean change isn't coming. The type of insulation that's sold, and the way customers engage with merchants, will be transformed as the industry adapts to new regulations. Chief among them the Building Safety Act. The Act is a major milestone in the push for higher safety standards in construction. And while its stricter provisions only apply to certain high-risk buildings for now, it's indicative of the direction of travel for the industry: a one-way journey to increased scrutiny and accountability. Woven into its heart is the golden thread – the essential digital record that will need to be created for every building. With that comes a much greater focus on product information and compliance.

Merchants will need to be ready to confidently advise their customers on compliant solutions and provide relevant and accurate product data to support that advice. All underpinned by robust record-keeping and up-to-date product information supplied by manufacturers.

More guidance on this is expected from government shortly, and for our part, we stand ready to review this as soon as it's published and share any insights with our customers.

In the meantime, it's prudent to prepare for this shift now, by collaborating closely with manufacturers, reviewing product portfolios, adopting enhanced data management strategies, and actively engaging with customers to help them navigate these new requirements. Those merchants who do this early are most likely to preserve their privileged position as trusted advisors.

Significant change is coming, and it will be most disruptive to those least prepared for it. When it comes to the golden thread, merchants will find that a stitch in time saves nine.

Merchants will need to be ready to confidently advise their customers on compliant solutions and provide relevant and accurate product data to support that advice.

# Expert Panel

## Cement & Aggregates

(Part of Heavy Building Materials)



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

It's a tough market for aggregates right now and this was reflected in Q3's subdued performance. Trading was much harder than expected and the seasonal uplift we would normally expect to see after the summer holidays didn't materialise. We are already seeing firms in the construction industry struggling to stay afloat – or worse still, going under.

The dismal outlook was echoed in the latest figures from the Mineral Products Association. Volume sales of ready mix concrete (-15.0%) and sand and gravel (-12.2%) fell sharply in Q3 – the largest decreases in these categories in over a decade. Mortar sales were also down -8.7%, however strong regional activity boosted asphalt (+1.6%) and crushed rock (0.3%) sales quarter on quarter.

Pressure on volume sales largely came from the slowdown in housebuilding activity and delays to big infrastructure projects. The cancellation of phase two of HS2 also came as a major blow. The government has pledged to fund other infrastructure projects, particularly in the north where it's most needed, but we are concerned at the lack of detail – what projects and when?

The RMI market is contributing to struggling aggregate sales. Inflation remains high and the cost of living crisis hasn't gone away. There are still 'Haves' with money to spend but we are seeing this increasingly diverted away from home improvements and towards holidays and other little luxuries. After the sharp increase in property projects started during Covid, a lull afterwards was perhaps inevitable.

In better news, for us at least, we officially became Heidelberg Materials in October. It's the same products and same people, but our new branding brings Hanson under our global parent company's umbrella and better aligns us with the organisation's ambitions to be more sustainable.

Looking ahead, the outlook for 2024 is flat at best until at least H2, with steady, slow growth thereafter into 2025. With a general election coming next year, perhaps a change in the political environment is the positive impact we need to raise expectations.

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# 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**

As expected, the volume downturn seen in the second quarter has continued as the construction and RM&I sectors continue to be sluggish. Reduced manufacturing costs in the Far East, together with lower shipping costs, have provided the drivers for cost price reductions, though these have been somewhat offset by the weakness of sterling against the US dollar in which both shipping and Far East costs are paid. Overall, this has led to some price deflation, which, together with the volume decline, has led to noticeably lower sales values.

Following on from the EU's decision to tighten sanctions against the use of Russian steel, the UK has now also introduced a similar regime requiring importers to prove that the products they are importing do not contain any Russian steel, even if they were manufactured in another country. These new sanctions took effect from 30th September 2023 and were introduced with relatively short notice.

However, the UK has adopted more of a due diligence approach to the proof required, and HMRC, who are responsible for the enforcement of the sanctions, seem willing to accept a wider range of evidence that appropriate steps have been taken to ensure Russian steel is not being used. At the time of writing, we are now a couple of weeks into this new regime, it seems to have gone in with little or no disruption to supplies.

It also seems that the EU's stance on the required evidence is becoming more flexible, with individual customs authorities being given a degree of latitude on acceptable evidence. With Northern Ireland covered by the EU rather than the UK sanctions regime, this change has simplified movements to Northern Ireland and all indications are, that providing importers have undertaken appropriate due diligence, there should not be any supply difficulties caused by sanctions.

It also seems the EU's stance on the required evidence is becoming more flexible, with individual customs authorities being given a degree of latitude on acceptable evidence.

# Expert Panel

## Paint

(Part of Decorating)



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

At the end of Q3 the trade paint market stood at 1% growth year-on-year adjusted for working days. Despite fluctuating weather, the woodcare market has grown by 7% year-on-year (based on actualising research best estimates). Against a gloomy economic outlook, growth of these markets provides assurance of the continued value of paint and finishes to wider society.

The trade paint market correlates with movements in the housing market. The successive Bank Rate increases have muted housing market activity, resulting in fewer housing transactions, especially for new build properties. While this has led to reports of less paint being used in the new build sector, recovery has been good for the volume used in the existing housing market. Volume growth is strongest for private dwellings, but there are green shoots of recovery in the existing social housing stock.

Our market has historically benefited from the “improve not move” mindset of homeowners that manifests itself in times of housing market turbulence. This year has been no exception and it's likely to be an underlying driver of the growth in existing housing volumes.

Given Bank Rate forecasts, do not expect a drop until we are closer to 2025, and we are likely to see this trend continue, offering opportunities for the market to maintain volumes in the near future. Indeed, reports of workloads from professional decorators remain stable for the time being, adding to our expectations that the trade paint market volume will continue slightly ahead of 2022.

Sales to builders merchants are currently running 2% down year-to-date on last year (GfK Builders' Merchant Paint Report), indicating the potential for greater growth in the channel, as it currently lags the performance of the total market.

As we look towards Q4, and even Q1 of 2024, growth expectations for the trade paint market remain tempered by many of the current market drivers which are set to remain.

The trade paint market correlates with movements in the housing market.

The successive Bank Rate increases have muted housing market activity, resulting in fewer housing transactions, especially for new build properties.

# Expert Panel

## Roof Windows

(Part of Timber & Joinery Products)



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

Like all manufacturers in our sector, Keylite is feeling the effects of lower market demand. This is driven by low consumer confidence while relatively high interest rates and inflation levels cause many to put on hold their plans to move or improve. Quarter three therefore brought reduced activity levels which is unlikely to improve in the near term.

One upside of lower volumes is that our supply chains have now fully normalized, and availability of primary raw materials and sub-components is no longer a routine concern, with the exception of a new challenge regarding timber certification.

For the past decade, we have sourced FSC material, however most Polish forestry regions and mills have decided to terminate their FSC accreditation over frustration with new compliance requirements which have been perceived by some to be well beyond the scope of ensuring chain of custody.

Most mills have now secured PEFC certification instead which is equally well regarded and continues to ensure that the timber we use comes from responsibly managed sources. Accordingly, Keylite has also successfully obtained PEFC accreditation at all of our manufacturing and distribution locations and will, through necessity, transition from FSC to PEFC in cooperation with our customers during quarter four.

The second consequence of a downturn is that builders and merchants alike are looking for every opportunity to improve margin. The investments we have made in our people, product and processes in recent years has ensured that Keylite presents a very credible and good value alternative to other leading brands.

The latest building regulations require builders to evidence the insulation of junctions between a window and the roof. Keylite has taken responsibility for this, with our unique, integrated expanding thermal collar providing a simple installation process and ensuring compliance on site.

Our long history of fitting 'Innovation as Standard, at No Extra Cost', means more and more of the nation's house builders are choosing Keylite as their supplier for roof windows and loft ladders.

One upside of lower volumes is that our supply chains have now fully normalised, and availability of primary raw materials and sub-components is no longer a routine concern, with the exception of a new challenge regarding timber certification.

# 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 2023 edition of the LBM 100 survey by LBM Journal, demonstrated an impressive escalation in a conventionally conservative industry. Twenty twenty-two marked a significant milestone, with 40% of merchants embracing online sales compared to just over 30% the year prior, a jump of almost 10% in just one year. And 27.4% of these online transactions were for in-branch pickups, in a growing marriage between digital convenience and brick and mortar interactions.

Technology implementation is becoming commonplace in other areas. The 2023 Construction Supply 150 report by Webb Analytics underlined that despite these industries setting aside just 1% of revenue for technological advancements, their adaptation is evident. Over two-thirds of CS150 merchants currently offer clients online access to their purchasing history and bills, with an additional quarter intending to add this feature. Over half already offer online bill payments, with 30% more planning to roll that out.

Volatile supply chains and inconsistent pricing (familiar to those in the building sector) continue to impede swift ecommerce adaptation. But technology is fulfilling its promise, improving the speed, experience and efficiency in customer service that frees valuable time to focus on external challenges, an increased sophistication in customer categorising, and the promise of growth in ecommerce and sales. Next are real-time delivery notifications and live visibility of price, stock and delivery options. These features foster transparency and predictability; values crucial to trades who depend on merchants completely.

Artificial Intelligence (AI) is also shaping the future as an ally to merchants. AI demonstrates potential for understanding customer history and pricing algorithms; even predicting external disturbances (like strikes or forest fires) that impact pricing. AI is poised to play an even greater role in customer-facing interactions, promoting superior customer experiences and bolstering business efficacy. AI allows businesses to capitalise on vast amounts of data to provide personalised customer experiences. AI systems can perform real-time analyses of customer behaviour patterns, facilitating a nuanced and proactive approach to meeting customer needs. Embracing ecommerce and evolving technologies looks set to be a transformative move that will not only create a boom in business but also cater to evolving customer expectations.

Volatile supply chains and inconsistent pricing (familiar to those in the building sector) continue to impede swift ecommerce adaptation.

But technology is fulfilling its promise.

# Expert Panel

## Plumbing & Drainage



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

The third quarter of 2023 has continued in the same theme set by the first two quarters of the year, with the typically busy months quiet and the reverse for typical holiday months. July and August were busier than we expected but we saw a falloff in September which has continued into Q4.

Recent NHBC data highlighting a 57% drop in Q3 private registrations is worrying and recent announcements from the Bank of England indicate that interest rates will be held high for a longer period than planned to break inflation. Brett Martin products are typically used early in the build cycle and we are now seeing both the Tier 2 and Tier 3 house builders slowing down new site openings faster than expected.

The prospect of a general election in 2024 will ensure continued indecision from government, inevitably delaying economic recovery and particularly its negative effect on the construction sector. The Money Market's reading of the recent Autumn announcement will be for interest rates to remain at the current level for the medium term, again, delaying any recovery to the construction market.

As a privately owned business Brett Martin takes long term investment decisions helping to position the business for the inevitable upturn in construction. Historically significant long-term investments in renewables, including an on-site 100 meter, 2.3MWp Wind turbine and a 6.42MWp Solar Farm will ensure the company maintains its competitiveness into the 2030's and beyond. Looking ahead for growth, we have recently embarked on a major increase in productive capacity. This will ensure we are ready to meet the demands from our customer base when the underlying demand for UK housing is reignited by a softening of the current economic trends.

While the current weakening market brings pressure to merchants and manufacturers alike, Brett Martin continues to invest in the resources to enhance service to our growing merchant base, enabling them to deliver a superior package to the construction trade.

Given the multiple forecasts for a flat market in 2024 we must plan appropriately and look forward to some light at the end of the tunnel toward the end of 2024.

The prospect of a general election in 2024 will ensure continued indecision from government, inevitably delaying economic recovery and particularly its negative effect on the construction sector.

# Expert Panel

## Heating & Cooling



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

With the house building market in a particularly difficult position, performance in Q3 has been challenging for its suppliers, with volumes relatively flat. Consumer confidence improved throughout Q3 but in the medium-term housing supply, held back particularly by planning approvals, is a far bigger problem than reduced housing demand caused by economic conditions.

The planning system has been described as “the worst it has ever been” by those who have worked in and around it for decades. Getting new housing plans approved is more difficult than ever, at a time when the UK needs new housing and the economic stimulus from it so desperately.

It's impossible to overestimate the effect of climate change on the housebuilding industry, but for us at Genuit, climate is both an opportunity and a risk. Brought on by climate change, increasingly heavy rainfall and colder winters affect demand for plastic drainage products, storm and flood management, and heating systems for domestic properties requiring repair, maintenance or improvement. Similarly, increasingly hotter summers present opportunities for irrigation systems and cooling solutions, a market the UK has traditionally not needed to think much about.

Short term however, increasingly extreme weather impacts the housing supply chain. Heavy rainfall with localised flooding, or extremely cold temperatures which freeze the ground solid often bring housing construction to an immediate halt as groundworks cannot continue. That then delays demand for first and second-fix products: first fix being products used before the walls are plastered, and second fix the visible fittings and products such as flooring and tiling.

The future of housing supply in the UK must be focused on sustainable living. That's a requirement and a duty on us all to protect the planet. It's already causing us to fundamentally change the way we think about building and improving housing from a carbon usage and content perspective. The additional challenge of the journey to net zero is to remember that the environment we're aiming to protect is itself changing. The UK will continue to get more extreme weather, and our housing supply must flex to accommodate it to ensure we're providing housing which is fit for the future.

The future of housing supply in the UK must be focused on sustainable living. That's a requirement and a duty on us all to protect the planet.

It's already causing us to fundamentally change the way we think about building and improving housing from a carbon usage and content perspective.

# Appendix

# Trading Days

Monthly												Quarterly				Half Year		Full Year
Index: 20.8												Index: 62.3						
2021												2021				2021		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	Q1 63	Q2 61	Q3 65	Q4 60	H1 124	H2 125	249
2022												2022				2022		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	Q1 63	Q2 60	Q3 64	Q4 59	H1 123	H2 123	246
2023												2023				2023		2023
Jan 21	Feb 20	Mar 23	Apr 18	May 20	Jun 22	Jul 21	Aug 22	Sep 21	Oct	Nov	Dec	Q1 64	Q2 60	Q3 64	Q4	H1 124	H2	

# 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

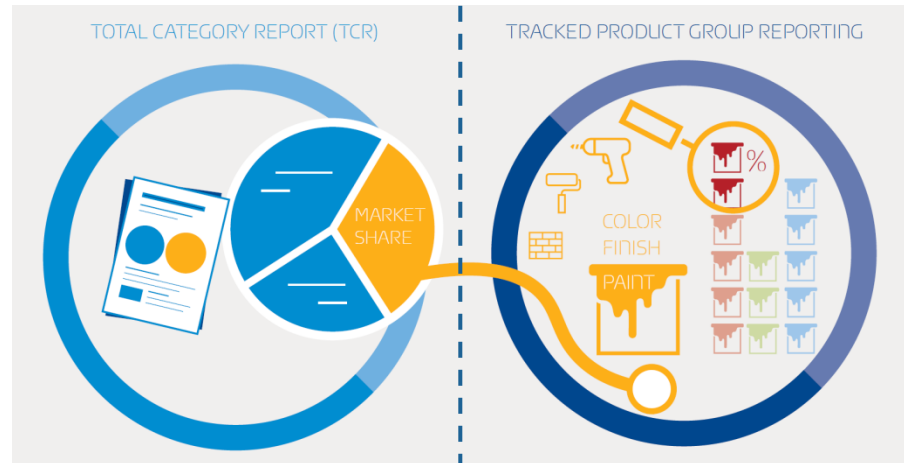
Bathroom (Including Showering)  
Fitted Kitchens  
Major Appliances

### 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

## Winter 2023 edition



### Builders Merchants Industry Forecast Report

The latest forecast report of the BMF's Builders Merchants Industry Forecast, covering Winter 2023 onwards, is set to be released in the coming weeks.

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 Winter 2023 edition set to be released soon. The forecast report and its previous editions 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



**Mike Rigby**

CEO – MRA Research

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

+44 (0) 1453 521621