

“building **excellence**
in materials supply”

Builders Merchant Building Index



Executive Summary - Quarter 4 2023

(Published 05 March 2024)

Highlights

“Economically speaking, 2023 will go down as one of the worst in recent memory for the UK...” Emile van der Ryst, Senior Client Insight Manager - Trade, GfK. Read Emile’s full comment on page [10](#).

BMBI Report Q4 2023 Highlights

(unadjusted for trading days)

www.bmbi.co.uk



Q4 2023 total
sales down -5.7%
on Q4 2022

-5.7%



Q4 2023 total
sales down -15.7%
on Q3 2023

-15.7%



Dec 2023 total
sales down -8.4%
on Dec 2022

-8.4%



MAT total sales down -5.1%
on Jan 2022 - Dec 2022

-5.1%

“ Total sales in Quarter 4 were down -5.7% on the same period last year. Volume sales were -12.0% down with price up +7.1%.”

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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 92% 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 months base period January 2022 to December 2022. 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 4 and December 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.

Quarterly: This Year v Last Year

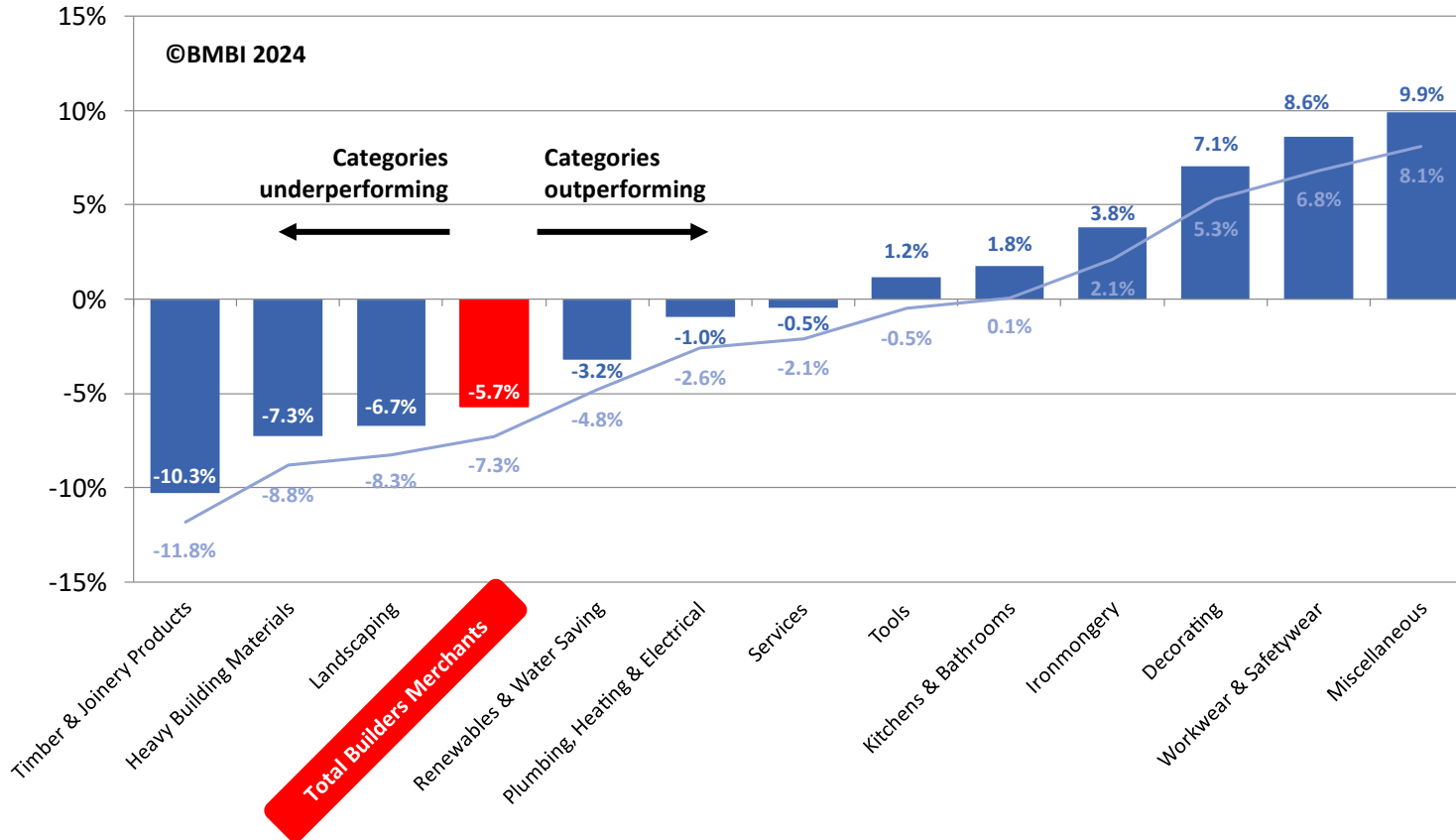
Q4 2023 sales and like-for-like sales

60 trading days this year v 59 trading days last year.
Like-for-like sales take trading day differences into account.



Quarter 4 2023 v Quarter 4 2022

Sales (blue bars) Like-for-like sales (blue line)



Source: GfK's
Builders Merchants
Total Category Report
January 2022 to December 2023

Six of the twelve categories sold more including Workwear & Safetywear (+8.6%) and Decorating (+7.1%).

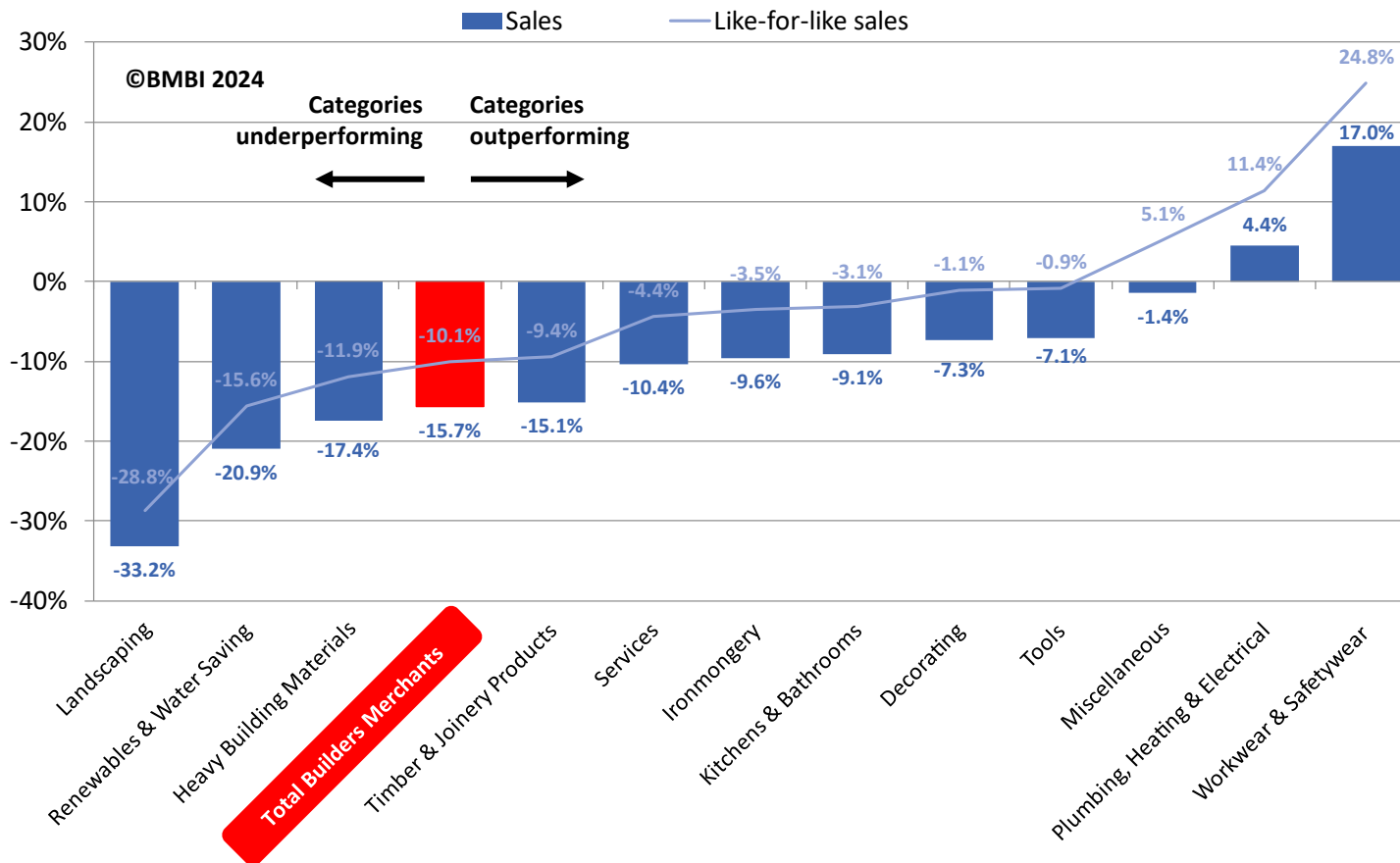
Quarterly: Quarter on Quarter

Q4 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 4 2023 v Quarter 3 2023



Source: GfK's
Builders Merchants
Total Category Report
January 2022 to December 2023

Only two categories sold more:
Workwear & Safetywear (+17.0%)
and Plumbing Heating & Electrical (+4.4%).

Year 2023 v 2022

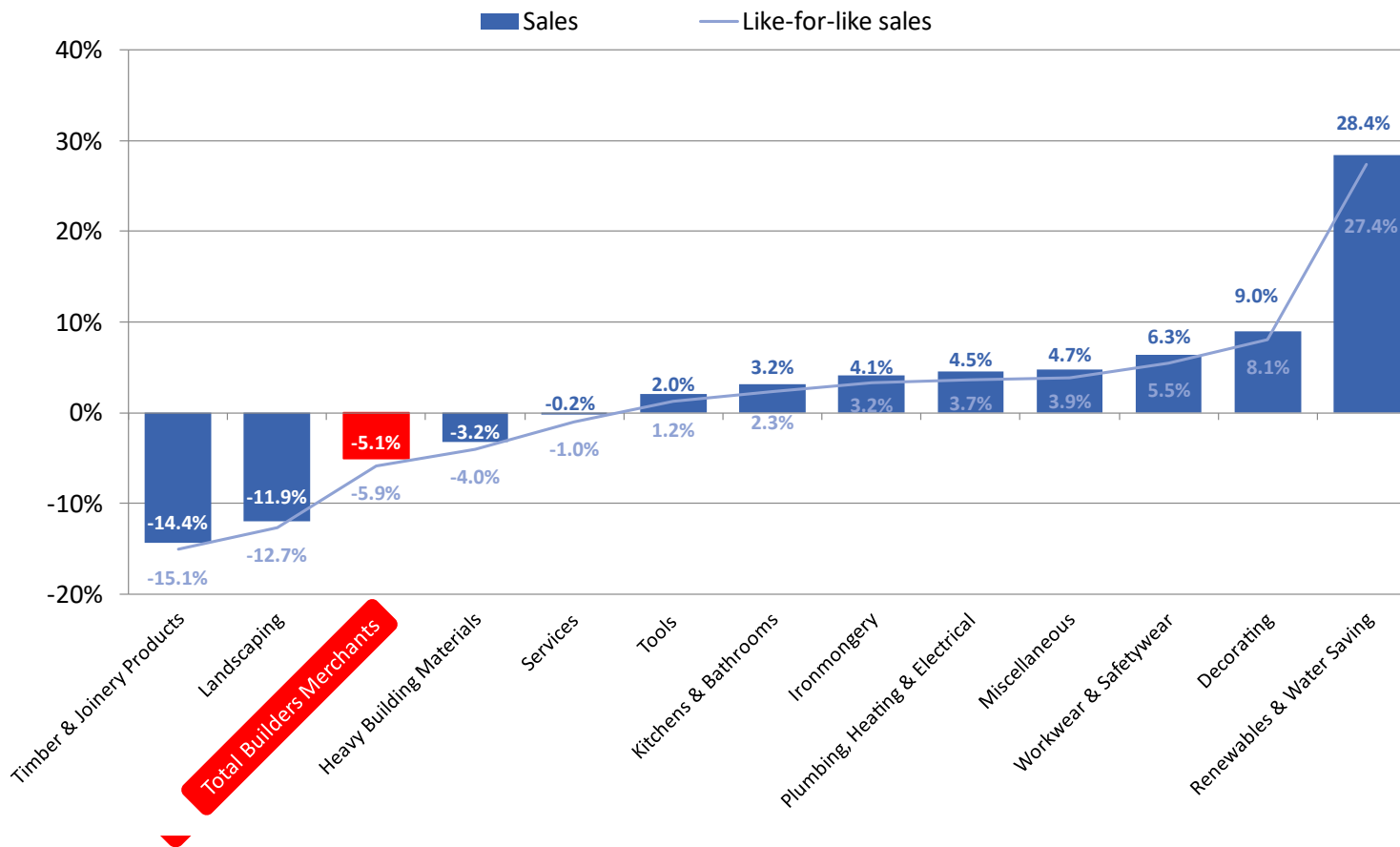
Last 12 months sales and like-for-like sales

248 trading days this year v 246 trading days last year.

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



Year : Jan 23 to Dec 23 v Jan 22 v Dec 22



Source: GfK's Builders Merchants Total Category Report January 2022 to December 2023

Total sales in the twelve months January to December 2023 were -5.1% lower than in the same period a year earlier.

Volume sales were -13.7% lower with price up +10.0%.

Quarterly: Index and Categories

Quarter 1 2022* to Quarter 4 2023

Indexed on January 2022 – December 2022



QUARTERLY SALES VALUE INDEX	Index	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Total Builders Merchants	100	97.5	107.2	105.9	89.4	93.9	101.5	99.9	84.2
Timber & Joinery Products	100	103.8	107.5	103.8	84.8	87.4	89.2	89.6	76.1
Heavy Building Materials	100	94.7	106.3	107.8	91.2	95.7	104.5	102.4	84.6
Decorating	100	95.6	100.4	105.5	98.6	106.4	110.1	113.9	105.5
Tools	100	103.2	101.9	99.4	95.5	104.7	102.9	104.0	96.6
Workwear & Safetywear	100	97.8	93.4	99.8	109.1	110.0	95.7	101.2	118.5
Ironmongery	100	100.1	101.7	104.3	93.9	104.6	106.5	107.8	97.5
Landscaping	100	93.6	129.3	107.4	69.7	76.2	113.5	97.4	65.0
Plumbing, Heating & Electrical	100	102.7	93.5	96.9	106.9	112.7	98.1	101.4	105.9
Renewables & Water Saving	100	96.7	91.5	100.8	111.0	136.6	133.6	135.9	107.5
Kitchens & Bathrooms	100	97.5	99.1	106.1	97.4	103.1	101.5	109.1	99.1
Miscellaneous	100	101.3	99.7	103.7	95.3	106.0	101.9	106.2	104.7
Services	100	94.2	103.2	107.1	95.6	96.0	102.1	106.1	95.1

*Click the web link below to see the complete series of quarterly indices from Q1, 2022.

Source: GfK's
Builders Merchants
Total Category Report
January 2022 to December 2023

Quarterly: Index

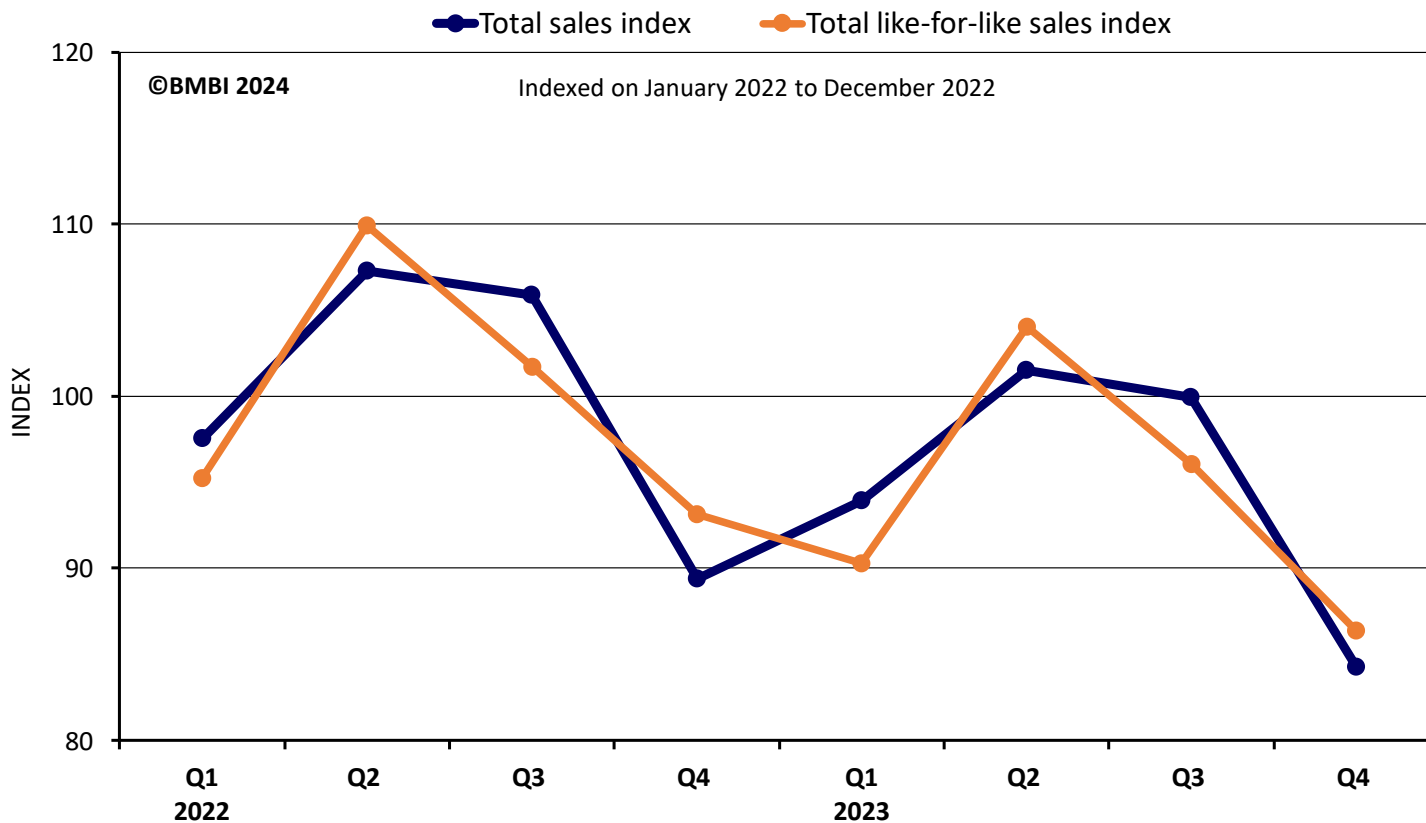
Sales and Like-for-like index



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

Source: GfK's
Builders Merchants
Total Category Report
January 2022 to December 2023

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



The Quarter 4 BMBI Index was 84.2.

With two less trading days in the most recent period, the like-for-like sales index was 86.4.

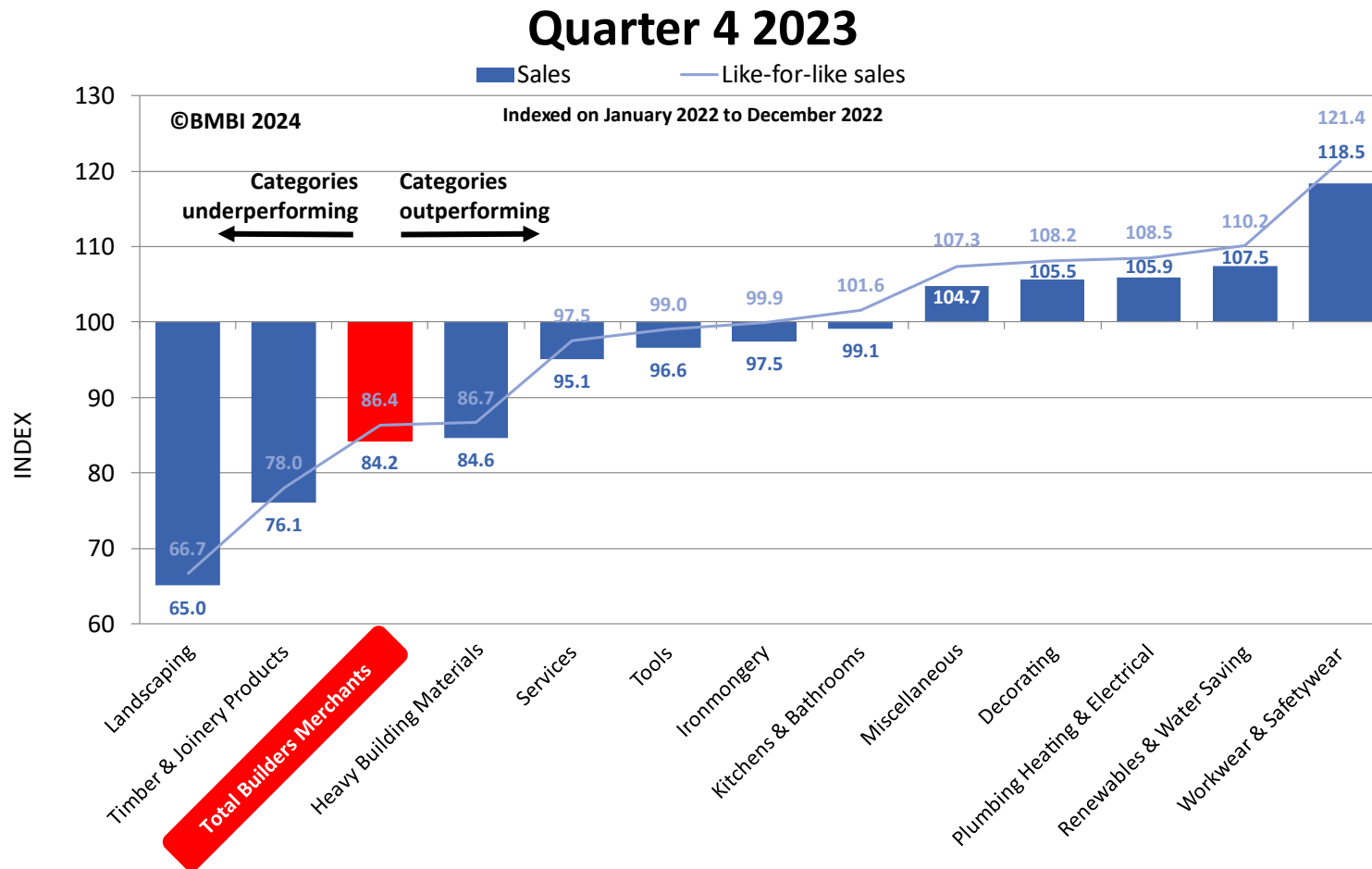
Quarterly: Index and Categories

Q4 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
January 2022 to December 2023



Only five of the twelve categories exceeded 100.

Workwear & Safetywear (118.5) led, then...
Renewables & Water Saving (107.5),
Plumbing Heating & Electrical (105.9)
and Decorating (105.5).

Overview and Insights

Emile van der Ryst,

Senior Client Insight Manager - Trade, GfK



Economically speaking, 2023 will go down as one of the worst in recent memory for the UK, with ONS figures indicating a technical recession at the end of 2023.

Inflation has come down at a slower than hoped for rate and is expected to be a factor in the immediate future. This backdrop had a noticeable impact on the merchanting sector which has seen a difficult year after two years of strong growth. A challenging year was widely expected within the sector, but the extent of it wasn't.

The headline value number shows a full year decline of -5.1%, with volume sitting at -13.7% and price growth at 10.0%. Almost half of all volumes tracked come from Bricks and Blocks and these have seen higher than market average price growth, which is calculated by dividing value with volume. A recalculation of the full year dataset shows that price growth for the whole sector drops down from the aforementioned 10.0% to only 3.4% when these two categories are excluded.

A quarterly review compared against the same quarters from 2022 show value declines remaining stable each quarter, going from -5.4% in Q2 to -5.7% in Q4. Volume is down by -12.0% in both of the past two quarters, but again improves to -4.4% in Q4 when Bricks and Blocks are removed. Price growth is the most revealing, with Q4 sitting at 7.1% against 2022 Q4, but dropping down to 1.1% if Bricks and Blocks are excluded. Plaster and Plasterboard were the other big-ticket items that contributed to the higher price growth in the overall market.

On a category level Heavy Building Materials has seen a full year value decline of -3.2%, a volume decline of -17.7% and price growth of 17.6%. Other value indicators shows Landscaping down by -11.9%, with Timber & Joinery down by -14.4% due to a price decline of -14.6%. Decorating and Kitchens & Bathrooms were up by 9.0% and 3.2% respectively.

Twenty twenty-four should see a continuation of the challenges seen towards the end of 2023. Price growth as measured in the BMBI should noticeably drop off in the coming months, while volumes should recover in the second half of the year, hopefully paving the way for a market returning to growth in 2025.

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Merchants' View

John Newcomb, CEO BMF



It has been yet another challenging quarter for construction, concluding a year that most of us would like to forget.

Final quarter figures from the Office of National Statistics (ONS) shows construction output in Q4 2023 fell by -1.3% compared with the previous quarter. The decline came solely from a decrease in new work (-5%), with private new housing the main contributor. Repair and maintenance work (RMI) increased by (+4%), possibly helped by the effects of heavy rainfall and strong winds during the last three months of the year.

Taking 2023 as whole, ONS figures show that total annual construction output increased +2.0% compared with 2022, again due to a rise in RMI (+8.3%). New work decreased (-2.1%), with new housing the main negative contributor, falling in 10 out of the 12 months of the year.

The ONS offers little evidence of a rapid upturn, with total construction new orders down by -13.1% in Q4 compared to the previous quarter – their lowest level since coronavirus lockdown restrictions were in place in Q2 2020. The largest negative contributors being private commercial new orders (-18%) and private industrial new orders (-28%).

The Federation of Master Builder's Q4 2023 State of Trade Survey paints a similar picture, with workloads down by -15% on Q3 2023 and 47% of FMB members reporting a decrease in enquiries.

Every sector in the FMB survey fell in Q4 with industrial and commercial work down -23% and housebuilding down -21%. A weakening in RMI performance for smaller builders gives further concern, with a net balance of 1% of FMB members reporting a decrease in Q4, and 17% reporting a decline in enquiries.

Looking ahead, the Construction Products Association has forecast a further contraction in construction output in 2024 (-2.1%), before a return to growth in 2025 (+2.0%). But with an election on the horizon the Chancellor may look to stimulate the housing market in his Spring Budget, while the Governor of the Bank of England has not discouraged market speculation on a series of interest rate cuts later in the year. Taking a more optimistic view, the market could take a positive turn in the second half of 2024. But we are not holding our breath.

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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.

As we look into the macroeconomic landscape, there's a palpable sense of optimism brewing as the trajectory appears to be one of improvement for the future. We witness lower inflation rates (from an uncomfortable high), a halting in the upward march of interest rates (again at a medium term high), and a stable unemployment environment. These developments paint an improving picture, hinting at a strengthening economic foundation in the medium-term future.

However, amidst these broader positive trends, the construction industry emerges as a curious anomaly, presenting a challenging market landscape. Despite the overarching macroeconomic improvements, the construction sector continues to grapple with its own set of complexities and hurdles.

One notable aspect of the construction industry's current predicament lies in the dynamics surrounding timber-related products. Importers face increasing costs, at least in the near term, as freight rates impact overall landed prices from a number of exporting regions.

The crux of the issue lies in the soft demand prevalent within the construction market. Despite the broader economic landscape exhibiting future signs of recovery and stability, the construction industry contends with subdued levels of demand, casting a challenge over the prospects of timber-related products. This confluence of factors poses a formidable challenge for manufacturers, compelling them to navigate a delicate balance between cost pressures and market realities.... while attempting to bring the figures from red to black.

In essence, while macroeconomic indicators hint at an overall improving picture, the construction industry serves as a stark reminder of the realities and challenges that persist in specific sectors of the economy. The juxtaposition of lower inflation, stable unemployment, and the struggle within the construction market underscores the many-sided nature of economic dynamics, urging stakeholders to adopt a nuanced and adaptable approach in navigating the ever-evolving economic landscape.

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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.

Twenty twenty-three ended much as we would have expected for a normal Q4, with seasonal trade patterns returning. Despite last year having its challenges, the mood in the industry seemed pretty positive in Q4 and most people were upbeat about prospects for 2024.

However, much of this optimism has already dissipated as escalating tensions in the Middle East are negatively impacting our industry's supply chain.

Houthi rebel attacks on cargo ships in the Red Sea – part of the main shipping route from Asia to Europe – mean that getting Indian sandstone and porcelain to the UK is being delayed as safer routes take longer. When those ships arrive in Europe, port congestion is again becoming an issue, making it difficult to predict when stock will arrive. To add to the challenges, shipping costs have gone up fivefold (at the time of writing) from \$600 to \$3000 per container. Price increases to cover the additional transport costs are looking inevitable.

To get ahead of availability issues and price increases, some merchants are panic buying stock. We know from the Covid years that this only leads to further scarcity, additional price increases and merchants ending up with an excess of stock on the ground. We aren't accepting orders above normal levels or new customers while availability is an issue, but we know other suppliers are.

We source most of our porcelain and printed products from Europe, so there is still plenty of product available to merchants. It's entry level Indian porcelain and sandstone which look likely to have limited availability over the coming months – or until the political unrest reaches a resolution. The thinner 16mm porcelain slabs are also only available from India.

Despite the geopolitical impact on the supply chain, we are still hoping for a good 2024. Greige and other neutral toned paving is overtaking dark grey paving as the most popular choice for customers and is certainly our hot tip for merchants looking to offer something new for 2024 to entice customers in. With consumer confidence up in January, perhaps homeowners are less doom-and-gloom about the prospects for the year ahead and could give the market a much-needed lift.

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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.

Despite economists previously forecasting weak growth for the construction sector in 2024, it's now predicted that we'll have to wait until 2025 for a rebound of 2%. The bad weather towards the end of 2024 had an adverse effect on construction activity, with many merchants reporting a significant drop in footfall. However, the bigger problems for the industry are still the house building and private housing RM&I sectors.

The rising cost of living has hit discretionary household improvements spending. In addition, fewer property transactions in 2023 led to a decline in refurbishment activity from new homeowners who typically make cosmetic improvements within the first 6-9 months of moving in.

Smaller project work is likely to continue to remain flat in the first half of 2024 as household spending remains tight, while the continued fall in property transactions in the first half of the year is likely to hit larger project work for the remainder of 2024. With volume sales likely to remain subdued for at least the short term, it is paramount that merchants have the right mix of products available in-store.

Some customers may have specific requirements or preferences that can only be met by premium products. Offering a good, better, best range ensures that builders' merchants can accommodate these customers while still providing options for those with simpler needs.

When customers find a range of options that meets their needs at a builders' merchant, they're more likely to return for future purchases. Offering quality products across different price points builds trust and loyalty with customers, while also creating opportunities for upselling and cross-selling.

Suppliers have in-depth knowledge about their products, including features, benefits, and best practices for display. By collaborating with suppliers, merchants can ensure that their staff are well-informed about the products they're selling. In a competitive market, offering premium products can help builders' merchants differentiate themselves from competitors. While some competitors may focus solely on low-cost options to attract price-conscious customers, offering premium products appeals to customers who prioritise quality and are willing to pay more for it if the value is justified.

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Expert Panel

Bricks & Roof Tiles

(Part of Heavy Building Materials)



Gonzalo Bunse, Director of Sales and Customer Experience, Wienerberger UK is BMBI's Expert for Bricks & Roof Tiles.

Last year closed with the newbuilding sector still sluggish. Operators in the brick and tile sector remain cautious for 2024, however, with interest rates flatlining and inflation reducing since September, there is optimism that housebuilding activity will pick up. To stabilise and protect future business, many manufacturers streamlined their production lines and some closed factories for an extended Christmas period in an attempt to align capacity to demand.

With manufacturers making use of these levers the outlook feels more promising. During Q4, the Labour Party outlined its ambitions to build 1.5 million new homes, making the 'dream of home ownership a reality.' Anyone in the building business cannot help but be intrigued by the pledges of planning reform to quickly boost housebuilding, the next generation of new towns complete with green spaces and infrastructure, and a 'planning passport' for urban brownfield development. The industry will be interested to see how this might stack up against The Conservative Party's commitment to deliver 1 million net new dwellings during its term until the end of 2024 which looks unlikely to be met without major planning reform.

While the political pressure to improve rates of housebuilding remains headline news, the housing developer volumes look to be similar in 2024 to the prior year, as many still await clarity on the rollout and enforcement of the Future Homes Standard. The Prime Minister's decision to roll back pre-agreed net zero policies, although confirming the UK is still committed to its targets, has sent a confusing message to the industry.

The Code for Construction Product Information (CCPI) is gaining significant momentum and importance in the industry. Manufacturers are working hard to ensure their product information is built around 5 'acid tests' where information must be Clear, Accurate, Up-to-date, Accessible and Unambiguous. The CCPI will help organisations drive higher standards in the presentation of construction product information. It prioritises building safety and is designed to give users greater confidence. Some national housebuilders have indicated they'll only buy from CCPI-certified suppliers in the future, and many have committed their support for CCPI by requiring strategic suppliers to be CCPI verified or undergoing the verification process.

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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.

What will happen to the window and door industry in 2024? It's easy to get depressed by bad news and talk the market down. But if you look there's also a lot of positive news, What are the forces at play?

Regardless of your political leaning, the Government is likely to change in the next 12 months, bringing fresh eyes and enthusiasm. A new Government must be seen to address the big problems, including housing. Young voters are feeling disenfranchised. Home ownership is out of reach for many young voters who are forced to live with parents or friends or in shared accommodation at high rents. Many are Labour voters who expect a new Government to put housing at the top of its to do list.

In a new Financial Times analysis heavyweight forecasters say England needs 500,000 new homes a year to keep up with the country's rising population, far more than either main party has pledged to deliver, and far more than the industry's capacity to build. The industry is looking to Government for a reduction in weather-vane politics to give them the confidence to invest in additional capacity. A population boom from record levels of migration, rising domestic demand and a historic undersupply has raised latent demand. Over 20 years, governments have failed to build the target of 300,000 new homes a year, and the backlog is growing. "We need to be aiming higher," says Paul Cheshire professor emeritus at the London School of Economics.

The prospects for RMI also look strong, driven largely by the need to upgrade the energy performance of Britain's housing stock.

Despite news that the UK economy entered recession at the end of 2023, technically or for real, consumer confidence is increasing. Falling inflation and food prices have lifted spirits, and the smell of change is in the air. GfK's Consumer Confidence Index climbed three points to -19 in January 2024, the best it's been in two years. Better still, consumers' personal financial index, their willingness to spend, improved to zero after 24 months of negative scores. According to Savills, the over 65s held a record £2.2 trillion in mortgage free housing wealth last year. There are good times coming for the window and door industry.

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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.

Reflecting on 2023, the headlines for Q1 reads: 'The first quarter of 2023 is down on the previous year'; Q2's reads 'The second quarter of 2023 delivered no excitement and started with a horrendous April before 'recovering''; and Q3's reads 'The third quarter of 2023 has offered no optimism from the continued slide in volumes.' So, it's safe to say it's better not to say anything at all for Q4's headline! In terms of overall volumes, one would need to go back nearly a decade to report comparable volumes: 2023 volume is bad history and makes poor reading.

Onward into a revitalised 2024, we start with a continuing slide (slides used to be so much fun as a child). Yet that revitalisation has resulted in more 'talk' of positivity, more 'talk' of improvements coming, and more 'talk' of the worst is behind us. We have to believe, and yes, more competition in lending will hopefully result in new house purchases and RMI expenditure. As a steel lintel manufacturer though we will have to wait at least six months to see that positivity, from the point when the consumer actually makes the commitment, to it turning into orders for steel lintels.

This does allow our Technical and Specification teams to get to grips with the recent FHS2025 consultation document and put together our response ahead of the 6th March 2024 deadline. We are liaising closely with the SAP assessors and House Builders on the two options offered, and the overall impact this could have on lintel specification, build costs and consumer running costs.

It's surprising that the consultation document has not upgraded the fabric standards from Part L, which remain that the target fabric energy efficiency rate can be achieved only through fabric energy efficiency. This includes U-values, thermal bridging (eg Hi-therm) and airtightness. The SAP methodology currently used is being replaced by the Home Energy Model (HEM), still under development, which requires a lot of re-modelling to be done across the sector in time for a response on 6th March 2024.

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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.

A challenging landscape lies ahead in 2024 for our industry once again as the ongoing subdued economic backdrop continues to dent consumer confidence. Operating costs in conjunction with fixed price contracts also continue to have a deep, and sometimes damaging impact on contractors and the wider supply chain. According to the latest data analysis of insolvencies by Mazars, construction companies accounted for 17% of all insolvencies last year.

However, while we continue to face uncertainty, we remain focused on supporting customers through key industry-wide sustainability initiatives, legislative support, and improvements in our service offering.

In a bid to tackle the UK's climate warming emissions, the UK Government is committed to delivering zero-carbon homes by 2025 through their Future Homes Standard. The breadth of solutions we deliver, alongside our expertise in building solutions and testing, enables us to support housebuilders, contractors and self-builders who will be delivering new buildings to the Future Homes Standard.

British Gypsum remains committed to our own sustainability roadmap while supporting customers and suppliers in achieving their own objectives too. In 2023 we made considerable progress, focusing on areas such as increasing recycled content in our manufacturing process, sourcing alternative energy supplies, and improving energy efficiency across our sites.

A further focus has been reducing waste in our manufacturing process and onsite. In collaboration with housebuilders and drylining contractors a recent action includes responding to their need to stock additional plasterboard sizes, in our combined efforts to reduce onsite plasterboard waste. Housebuilders identified the requirement for 2300mm plasterboard lengths while for high-rise residential projects, drylining contractors are now requiring 2800mm plasterboard lengths to better meet building design and reduce waste. From January 2024 a range of these newly sized boards is available, having previously only been available through our made-to-order service.

Operationally, we continue to invest in our distribution network to better support merchant customers through our service offering. Our fleet is now 100% Hydrotreated Vegetable Oil (HVO) capable, and we have on-going development and trials into the optimisation of consolidated loads, which have proved successful as we look to provide customers with more flexibility and a more sustainable delivery service.

In 2023 we made considerable progress (on our own sustainability roadmap)...

...focusing on areas such as increasing recycled content in our manufacturing process, sourcing alternative energy supplies, and improving energy efficiency across our sites.

Expert Panel

Mineral Wool Insulation

(Part of Heavy Building Materials)



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

Usually, I begin with a word on the numbers. A general view, and a more granular look at some of the data that relates to mineral wool insulation.

Merchants don't need me to make any observation about the macro-economic picture this quarter, so instead, I'd like to focus on a different number. One that I expect to have a significant impact on insulation demand now and in the near future. That number is 150.

Let me explain. In December, the UK Government published its latest consultation on the Future Homes Standard (FHS). Just over a year ahead of its proposed adoption, we're now gaining a clearer sense of what the new standard is likely to entail. Not much change to thermal performance values, but significant change in how those values translate to compliant homes (through a new government software tool to calculate thermal performance and proposed real performance testing).

The FHS changes come, of course, mere months after the end of the transition period to Approved Document L 2021 (ADL21). Fresh off the back of adapting to the latter, the industry must now begin to prepare for further imminent change. That's the context driving a shift in norms for newbuild homes, with housebuilders large and small increasingly adopting 150mm cavities. Why? Because 150mm is the cavity sweet spot that is part of a low-risk route to compliance.

When I speak to customers taking this route, their reasons are clear: 150mm cavities enable them to achieve the optimal balance of thermal performance, sustainability, non-combustibility and build cost, to comply with ADL21 and now the proposed FHS "notional" building.

For merchants, the impact will be two-fold. Expect more queries from customers seeking advice on the right route to compliance, for which the 150mm cavity is a straightforward solution to achieve the notional building thermal performance, which most builders default to. And expect sustained and even increased demand for mineral wool insulation to fill those wider cavities as a result. There is more clarity to come on the FHS. When it arrives, Knauf Insulation will be ready to share useful insights on the implications. In the meantime, my message to merchants is simple. Bigger is better – it's time for 150mm cavities.

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Expert Panel

Cement & Aggregates

(Part of Heavy Building Materials)



Andrew Simpson, Packed Products Director at Heidelberg Materials, is BMBI's Expert for Cement & Aggregates

It was a subdued end of the year for the Cement and Aggregates market, as mild but wet conditions left sales quieter than expected in Q4, and for 2023 as a whole.

The continued slowdown in construction was evident in the latest sales figures from the Mineral Products Association. Volumes for mortar (-21.9%) and sand and gravel (-10.6%) dropped sharply in Q4 2023 compared to Q4 in 2022, while ready-mixed concrete (-8.2%), crushed rock (-3.7%) and asphalt (-3.5%) also saw decreases. Comparing all sales for 2023 to the previous 12 months, there was a second consecutive annual decline across all product categories, except mortar.

Looking at the numbers and speaking to customers, it's going to be a tough start to the year, but we remain positive about 2024's prospects. Things will even out, and we are operating 'business as usual' to prepare for the upswing in demand which will come – it's just a matter of when.

For example, in this general election year, we could see a change in government in May or the Autumn and more positive policies for new housing and social housing. Infrastructure investment would be particularly welcome for the country's water and flood defences which were overwhelmed by the recent storms.

While we wait for positive developments in policy, inflation and the cost-of-living crisis to kickstart construction, we are focusing on getting ourselves in better shape for the future. Following our rebrand in October 2023, we'll be introducing new branded stock in Q1 as old Hanson stock runs down. This will happen product by product, location by location. We'll also be releasing end-user info about the new Heidelberg Materials brand early this year.

We've just appointed a managing director to lead our circular economy and recycling business to drive our agenda in this area, and we'll be starting our carbon capture trial at Ketton cement works. We are also implementing new digital technologies to improve operational efficiencies and customer service this year.

When trading conditions are tough, the only thing you can control is your own destiny and that's what we will be doing until the bounce back comes.

Infrastructure investment would be particularly welcome for the country's water and flood defences which were overwhelmed by the recent storms.

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 subdued market conditions seen in Q2 and Q3 have continued through into Q4, with both new construction and RM&I down year-on-year. This has impacted directly on volumes in fasteners and fixings, with sales continuing to be down year-on-year. Compared to earlier in the year and 2022, prices have continued to ease, with lower cost prices from the Far East and, until recently, lower shipping costs. With the majority of products being purchased in USD, the slight strengthening of GBP has also helped to keep prices down. All of these factors have contributed to a continuing decline in the value of sales.

However, recent events in the Red Sea may well have an impact as we move into 2024. With the majority of shipping lines having diverted their Far East routings away from the more direct Red Sea and Suez Canal route, to the longer Cape of Good Hope route, there are impacts on cost price and supply.

Shipping costs have had surcharges applied to reflect the longer passage and therefore more expensive route. But the longer route also has a marked impact on shipping capacity, and a previously 8-10 week return trip from the Far East to Europe will now take 12-14 weeks. This reduction in capacity, coupled with a growing imbalance in container availability, is resulting in shipping rates moving up which will feed into higher prices for fasteners and fixings.

Although the shift to the Cape of Good Hope has had a swift impact on landed costs, it has had less impact on product availability. Unlike 2021 when the 'Ever Given' grounding in the Suez Canal led to notable disruption, shipping lines seem to have acted swiftly in diverting ships and there has been little delay outside of the first two weeks, as the ships made the longer passage and supplies are once again moving freely.

While some Just-In-Time supply chains may have been disrupted, stocks in the supply chain for fasteners and fixings have been more than adequate to ensure general availability has been maintained. With the supply chain also having adapted to Russian sanctions, supplies moving into 2024 seem secure.

Compared to earlier in the year and 2022, prices have continued to ease, with lower cost prices from the Far East and, until recently, lower shipping costs.

With the majority of products being purchased in USD, the slight strengthening of GBP has also helped to keep prices down.

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 2023 the trade paint market stood at 1.5% growth year-on-year, after mostly flat Q4 volume sales. In contrast, the trade woodcare market attained growth of 9% year-on-year, with data suggesting much of this growth was driven by Builders' Merchants. Against a gloomy economic outlook, growth of these markets provides assurance of the continued value of builders' merchants to wider society.

The effects of a high Bank Rate muted housing market activity, resulting in fewer housing transactions, especially for newly built properties. While this has led to reports of less paint being used in the new housing sector, recovery has been good for volume used in the existing housing market. Volume growth is strongest for private dwellings, and green shoots of growth continued in Q4 within existing social housing repair and maintenance, both possibly driven by the Government's commitment to delivering "Awaab's Law" in an amendment to the Social Housing Regulation Bill.

Known as Awaab's Law, it sets deadlines for social landlords in England and Wales to tackle reported hazards promptly. Two-year-old Awaab was killed by mould in a social housing flat in Rochdale in 2020. Significantly, Labour leader Sir Kier Starmer confirmed in February that Labour intends to extend Awaab's Law into the private rental sector.

Another green shoot, according to GfK's Consumer Confidence Index, is consumer confidence. It started 2024 with all measures up and a headline score of -19, the best since January 2022. Consumers' view of their personal financial situation for the coming year gained two points and now stands at zero. This is a milestone as it ends 24 consecutive months of negative scores. GfK says it's the best single indicator of how the nation's households feel about their income and expenditure. Despite the cost-of-living crisis still hitting many households, consumers appear to be encouraged by the good news about falling inflation.

Sales to builders' merchants finished -2.3% down year-to-date on last year, indicating that there is potential for greater growth in the channel, as it currently lags the performance of the total market.

Reports of workloads from professional decorators remain elevated for the time being, adding to our expectations that the trade paint market will be robust through 2024 in terms of volumes.

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Expert Panel

Roof Windows

(Part of Timber & Joinery Products)



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

Our Technical teams have been studying the newly released Future Homes Standard consultation document, which states that roof windows must achieve a U Value of 1.2 W/m²K, significantly lower than the current standard of 1.6 W/m²K. Most of our sales today are for our laminated inner, double-glazed range, which achieves 1.3 W/m²K in common with our competitors. Our triple glazed product overachieves the FHS standard with a U Value of 1.0 W/m²K however, the cost premium for the updated product is 30%+ which may not be welcome, particularly in the current climate.

Key to future demand for pitched roof windows will be the ability to integrate directly with PV panels to maximise the surface area of the roof with solar energy generating panels to maximise carbon reduction. Keylite's PV panel flashing integrator is approved by leading panel manufacturers.

Roof window manufacturers have been confirming 2024 price increases. As ever, Keylite tries to absorb cost increases as far as possible, but prices are inevitably impacted by the statutory minimum wage at our manufacturing site in Poland increasing a further 19.4% this year and the Polish Zloty-Sterling exchange rate. To mitigate these factors outside our control, we continue investing in automation and push suppliers hard to reverse the exceptional material inflation we experienced in recent years.

The downside to a strong market share with National Housebuilders is that, when construction slows, we slow. But there's a strong underlying demand for quality new housing, especially in more affluent areas of the UK & Ireland. Throughout the UK & Ireland quote levels are strong and up on 2022. Many projects in the planning stages, new build and RMI, are on hold until decision makers are confident to proceed. This matches the general sentiment from merchant partners. Activity is down, quote levels are strong.

Builders and merchants search for every opportunity to improve margin in a downturn. The investments we've made into people, product and processes ensure that Keylite presents a quality, innovative, excellent value alternative to other leading brands. Our sales teams will continue to work hard for our merchant partners, creating demand, generating quotes and bringing in orders. In the short term, we expect volumes to remain subdued. Brighter days lie ahead.

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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.

Given the current employment shortage crisis in the building materials supply sector, there is a growing need to give tradespeople the power to self-serve. With a shortage of skills and product knowledge gaps, are staff struggling when servicing customers if they are inexperienced or overstretched? Successful, forward-thinking merchants are turning to technology, reducing the dependence on staff and offering their customers the choice of whether they want to interact with a person in-branch or harness the convenience of online ordering.

With ongoing challenges - attracting new talent, the ever-rising cost of materials, embracing Net Zero - the industry needs innovative solutions. eCommerce and digitalisation stand out as beacon lights, offering pathways to not only navigate these hurdles but also to leapfrog into a future of efficiency, sustainability, and growth. But what does this mean in practice? How are merchants leveraging these technologies to their advantage?

Increased employee turnover is diluting experience and knowledge amongst branch staff and further burdening the most experienced team members. Merchants who are successfully employing digital storefronts to their business are empowering customers with the capacity to self-serve, and those employees in need of their own digital support. No longer just 'nice-to-have', eCommerce platforms are becoming 'must-haves' for merchants aiming to stay competitive. These platforms revolutionise customer service, offering seamless, 24/7 shopping experiences that today's tradespeople expect where they choose to use it, and empowering in-branch staff to focus on the value-added engagements that set merchants and particularly independents apart from DIY chains. Beyond convenience, they provide merchants with a treasure trove of data insights they cannot possibly capture offline, enabling merchants to anticipate market trends, tailor their offerings, and streamline inventory management.

As 2024 unfolds, building material merchants face a landscape filled with challenges but also rich with opportunities. By harnessing the power of eCommerce and digital solutions, merchants can equip themselves to tackle these hurdles head-on. This digital leap forward is not just about survival but about thriving in a rapidly evolving industry. The time to act is now, ensuring a future where merchants are not just participants but leaders in the drive towards a more efficient, sustainable, and prosperous industry.

Given the current employment shortage crisis in the building materials supply sector, there is a growing need to give tradespeople the power to self-serve.

With a shortage of skills and product knowledge gaps, are staff struggling when servicing customers if they are inexperienced or overstretched?

Expert Panel

Plumbing & Drainage



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

Quarter 4 accurately reflected a year which has been preciously short of good economic news for the UK in general and for the construction sector in particular. The effect of ongoing inflation, interest rate rises and cost of living increases came home to roost. It is at times like this, when we realise just how connected our industry is to the price of finance, public confidence, and inflation.

We know the underlying demand still exists for both new housing and RMI projects of all sizes, but the registration statistics did not lie, and demand weakened further by the end of the quarter when even the typical rush to complete housing by year end did not materialise.

New mortgage approvals increased to 50,500 in December 2023, up from a 49,300 in November but falling short of the market expectation of 52,500. Although mortgage approvals reached a six-month high, the inevitable lag means this is not yet visible as an increase in activity levels on the ground.

Many producers will be hoping that 2024 will stabilise with the prospect of some electioneering interventions to boost confidence and drive demand. GfK's Consumer Confidence Index, consumer confidence increased three points to -19 in January 2024, recovering ground lost in the last two years. There is a market expectation that interest rates will weaken as the year progresses to give the housing market a much-needed lift. However, with inflation staying stubbornly high, falls in interest rates may be further off than hoped.

At Brett Martin we remain confident that the current market weakness will cycle through and so our focus is firmly fixed on developing increasingly customer focused service initiatives along with investments in manufacturing efficiency in preparation for the next growth phase of our business. Every part of the supply chain is facing the same challenges and so the process of partnering our merchants to maximise every opportunity remains paramount.

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Expert Panel

Heating & Cooling



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

Quarter 4 2023 will be remembered as the period when house building activity hit a low and bounced back. There was a continuing dearth of housing starts following a stock build in Q2 to potentially avoid the impact of changes to Building Regulations Part L. Part L covers the conservation of fuel and power in new homes in England and establishes how energy-efficient new and existing homes should be.

Reduced housing demand in 2023 was a testing time for everyone, with more competition chasing less activity. However, there was a softening of the macro factors which contributed to the reduction in house building, such as a deceleration of inflation, interest rate stability and subsequent cuts in mortgage rates among major lenders. Announcement of employee tax cuts and a larger than expected increase in National Living Wage has helped to improve sentiment going into 2024, reflected in improved Consumer Confidence scores. A low of -38 in February 2023 improved to -19 in January, the most positive in two years. It fell back in February to -21. But 'optimism for our personal financial situation for the next 12 months', one of the five component measures of GfK's Confidence Index, registered zero again, having been as low as -18 last February. This is a critical measure because confident householders are more likely to invest in major spending decisions.

There is certainly a lessening pessimism moving into 2024. However, the acid test will be the government's spring statement, and if there is specific support for the housing market. The most impactful initiative would be to offer first time buyers a meaningful support package, one that stimulates affordability for first time buyers in the new build sector.

The industry needs clarity on how the housebuilding and construction sector is going to tackle upcoming legislative and building safety requirements with The Future Homes Standard due to arrive in June 2025. Cooling and heating of new homes is an ever-evolving area, and 2024 may well be the year when the housing supply industry drives further forward with renewable solutions such as Underfloor Heating and District Heating.


There is a sense of newly formed optimism, or less pessimism moving into 2024.

However, the acid test will be the government's spring statement, and if there is specific support for the housing market.

Appendix

Trading Days

Monthly												Quarterly				Half Year		Full Year
Index: 20.5												Index: 61.5						
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 22	Nov 22	Dec 16	Q1 64	Q2 60	Q3 64	Q4 60	H1 124	H2 124	248

 Source: GfK's
Builders Merchants
Total Category Report
January 2022 to December 2023

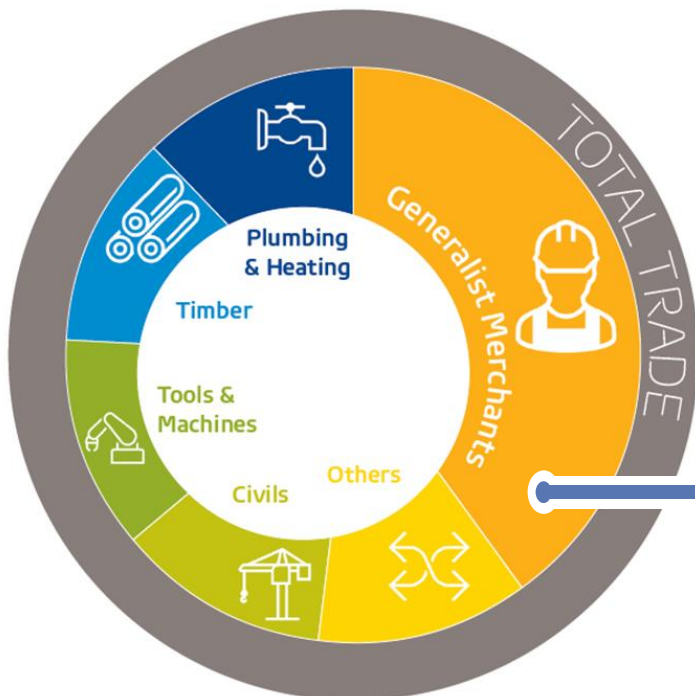
GfK's Definition of Builders Merchant Panel



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 and 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 92%.

Examples include:



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

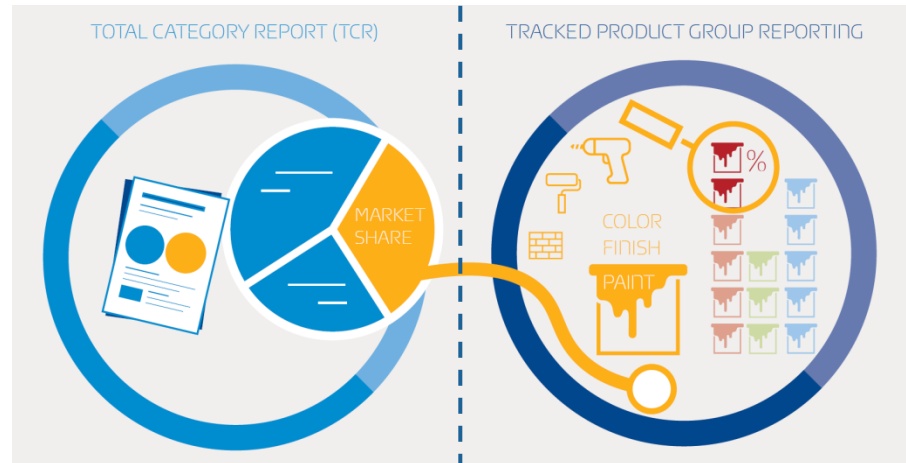
Bathroom (Including Showering)
Fitted Kitchens
Major Appliances

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

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 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 Winter 2023 edition now available. 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



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