



“building excellence
in materials supply”

John Newcomb

Chief Executive Officer

Builders Merchants Federation

Presentation to

BALI

12 January 2022



bali.org.uk

**British
Association
Landscape
Industries**



The only trade association representing and protecting the interests of builders' merchants and suppliers to the merchanting industry



770 MEMBERS
395 MERCHANTS
375 SUPPLIERS, SERVICE, ASSOCIATE, DISTRIBUTOR



£39bn MEMBERS' TURNOVER



206,000
INDUSTRY
EMPLOYEES



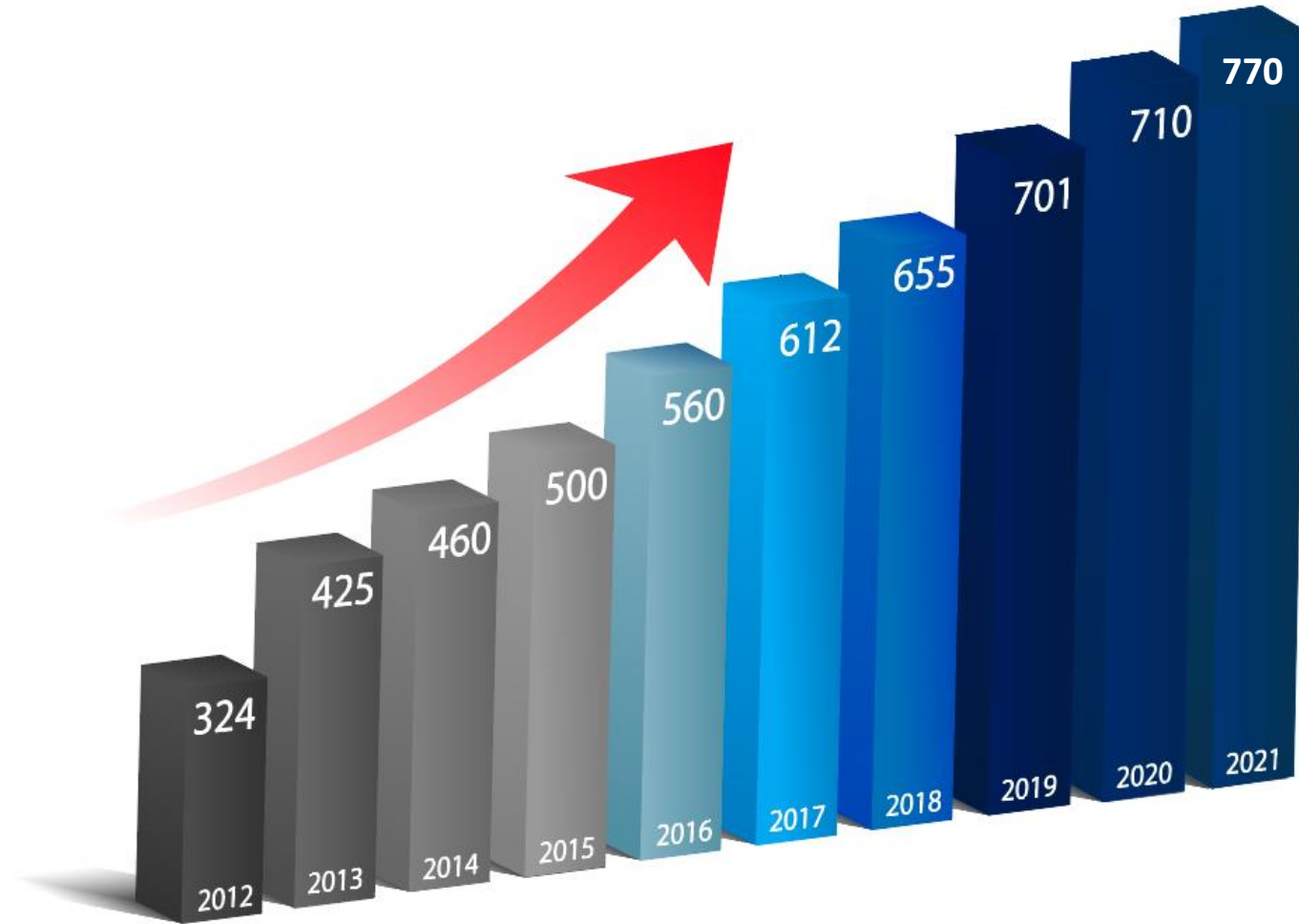
5,750 MERCHANT
BRANCHES



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BMF Membership

Membership
up by
138%



+ 60
Members
since last
year



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CLC Members



CLC member organisations provide many opportunities to engage via working groups and information cascades

CLC governance structure (v0.4)

CLC Steering group

(Meeting frequency: Fortnightly)

Co- Chair Andy Mitchell	Fergus Harradence	Ann Bentley	Brian Berry	Suzannah Nichol	Simon Rawlinson	Alasdair Reisner	Mark Reynolds	Hannah Vickers
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CLC Task Force members

(Meeting frequency: Biweekly (Tu & Th))

	Industry Change				People		Commercial		Sprints	
	Net Zero Carbon	Digital	Manufacturing & Performance	Building Safety	People & Skills	HSW Coniac	Business Models	Exports & Trade		
	David Pinder	Mark Enzer & Anne Kemp	Keith Waller	Peter Caplehorn & Graham Watts	Sarah Beale	Sarah Jardine	Steve Bratt	Vince Clancy	Product Availability Group John Newcomb Peter Capelhorn	
Infrastructure (ICG/CECA)	IRP Working Groups (industry led to interpret / implement workstreams for each sub-sector)	CLC Workstreams & Liaison with endorsement of Industry initiatives ('specifiers')	CLC Workstreams & Liaison with endorsement of Industry initiatives ('specifiers')	CLC Workstreams & Liaison with endorsement of Industry initiatives ('specifiers')	CLC Workstreams & Liaison with endorsement of Industry initiatives ('specifiers')	CLC Workstreams & Liaison with endorsement of Industry initiatives ('specifiers')	CLC Workstreams & Liaison with endorsement of Industry initiatives ('specifiers')	CLC Workstreams & Liaison with endorsement of Industry initiatives ('specifiers')	CLC Workstreams & Liaison with endorsement of Industry initiatives ('specifiers')	
Nirmal Kotecha										
Domestic RMI (FMB)										Brian Berry
Housing (HBF)										John Slaughter
LS&C Construct (ACE)	Hannah Vickers								Regulatory Alignment Group John Newcomb Peter Capelhorn	


CLC Senior Advisors

(Meeting frequency: TBC)

D/DG/C's from industry or departments

Incl. Devolved Nation Representatives (Scotland, Northern Ireland, Wales)

 **IRP Working Groups** (industry led to interpret / implement workstreams for each sub-sector)

 **CLC Workstreams** & Liaison with endorsement of Industry initiatives ('specifiers')

Comms: If you would like to engage with the CLC, please contact Stuart Young (stuart.young@beis.gov.uk) who leads on our industry engagement and dissemination'

- Set up by the Construction Leadership Council and jointly chaired by the BMF and CPA
- Meets every month online
- Brings together senior representatives from Merchants (top 4 Nationals, top 3 biggest Buying Groups plus largest Independent Merchant), Manufacturers, Contractors, large Housebuilders and small Housebuilders
- Confidential information on existing stocks and supplies fed directly in to Government by Merchants, Contractors and Manufacturers weekly
- Master spread sheet produced by BEIS and monitored by the Group
- Objective of the Group is to build confidence, dispel rumours and minimise supply and demand constraints
- The Group is able to identify key supply issues and pinch points (eg plaster and plaster board) and focus resource and attention on resolving those issues quickly and efficiently

View the roadmap

www.constructionleadershipcouncil.co.uk

Contact us

www.bmf.org.uk



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Product Availability Working Group Members



WOLSELEY

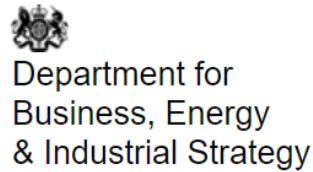


AkzoNobel

BAXI



Product Availability/Brexit Movement of Goods & Materials Working Group Members



Product Availability

Product	Reason
Timber	Reduced demand over the summer enabled stocks to build resulting in some improvements in availability in Q4. While prices have softened, they remain volatile. Looking ahead, delays at ports are having a knock on effect upstream at Scandinavian mills slowing production, which may affect availability in Q1 2022. Timber battens and chipboard remain in short supply.
Landscaping products	Sales currently tracking well ahead of 2020. Most customers aware manufacturers “making to order”. Indian sandstone temporarily off sale due to shipping costs. Good stocks of porcelain.
Roof Tiles	Demand remains strong. Lead times for concrete tiles averaging 24-30 weeks. Challenges around transport and raw material price increases. Uncertainty around Covid spikes affecting production over the winter.
Paints & Coatings	Ongoing shortage of chemical based raw materials i.e. pigments, polymers, pulp and tin cans for packaging. Other issues around REACH.
Sealants/chemical products	Affected by raw material shortages
PVC/Resin	Serious supply constraints around polymers globally. 32 force majeure around Europe constraining supply. Still reports of shortages of products such as plastic drainage through to the year end.
Screws/Fixings	Import Issues, container availability and demand remains very strong
Sanitaryware	Import Issues/ National demand
Steel	High global demand. Production and operations at full capacity in UK. In May BS temporarily stopped taking orders for structural steel sections to catch up with backlog. Some easing, but steel lintels remain in short supply.

Product Availability

Product	Reason
Bagged Cement	Huge increase in UK demand, exacerbated by essential cement plant shut downs in Q1. Reduced availability of packaging, pallets and haulage further factors. High demand and extended delivery times expected until the end of the year. Higher gas prices and increased, labour and haulage costs will impact product pricing.
Electronic Components	BEAMA advise raw material cost increases and extended lead times for steel, copper, plastics/resins affecting production of electronic components and assemblies. Container backlog in China's Pearl River Delta compounding extended delays. Global shortage of semi-conductors causing concern in lighting and appliances sectors. Cable trays and other products made of steel are in short supply. Twin and earth cable becoming problematic. Product pricing continues to be a challenge
Hand/Power Tools	Affected by shipping issues and container availability. Chinese factories now taking orders for 2022. Problems with Indian products (i.e. shovels) due to COVID restrictions.
Insulation Boards	Has become tighter with PIR hard to obtain and contractors actively seeking alternatives
Plasterboard	On allocation / extended lead times. Some improvement in supply expected across Aug/Sept and into Q4. Plaster supply is good.
Bricks & Blocks	Demand outstripping UK manufacturing capacity and will continue to do so until new facilities come onstream in 2023 and 2024. Imported products are being used to make up the shortfall, but customers must expect reduced product selection. Sector also affected by higher energy prices feeding through into pricing.
Haulage	Nationwide problem for all sectors – shortage of drivers continues. DfT engaging with freight sector and hauliers to find short term fix and longer term solution.

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May 30, 2021 · thesundaytimes.co.uk/business



THE SUNDAY TIMES

Builders push up inflation fears

BUSINESS & MONEY

Double-digit price rises for materials strike as economy suffers shortages

Jill Treanor

Britain's biggest builder's merchant has warned customers of "considerable" cost increases to a wide range of raw materials in a move that will fuel fears of an inflationary price spiral as the economy pulls out of its Covid-19-induced recession.

Travis Perkins has told customers to prepare for a 15 per cent rise in the price of

bagged cement, 10 per cent in chipboard and 5 per cent in paint from Tuesday.

It told customers that while it was trying to keep cost increases to a minimum, "the market is facing considerable cost and availability challenges on a number of key commodity items at the moment".

The warning comes amid heightened debate about price rises driven by an explosion in demand across many sectors of the economy as lockdown measures are eased. There are also growing pressures on the global supply chain caused by Covid-19 restrictions.

After suffering its biggest contraction in 300 years, the economy is rebounding. A survey by employers' body the CBI published today shows that private sector activity this month grew at its fastest

pace since August 2015 – and it reports expectations for continued growth at what would be the fastest rate on record.

"The economy has really taken off. Most sectors have seen a real uplift in activity in recent months and believe that the outlook for the summer is strong," said Alpesh Paleja, CBI lead economist.

The CBI survey picked up many supply issues with almost half of manufacturing respondents highlighting access to materials or components as likely to limit output in the coming quarter. Average costs rose at the fastest pace since 2011.

The CBI said: "These supply issues and price pressures are expected to be transitory, but will be closely watched as the economic recovery hits top speed."

The Bank of England has admitted that

it expects inflation to break through its 2 per cent target and reach 2.5 per cent by the end of the year, before tailing off. The year-on-year rate of inflation almost doubled in April to 1.5 per cent, largely because of petrol and gas prices.

Andy Haldane, the outgoing chief economist at the Bank, last week warned of a possible "wagey-pricey" spiral if rising costs force employers to put up pay as in the 1970s, but not on the same scale. Employers have reported that shortages of skilled staff could hit prices.

If inflationary pressures persist, the Bank may have to withdraw its quantitative easing measures or even raise rates from their 0.1 per cent low.

The housing market has been booming, with house prices soaring by 10.2 per

cent in the year to March, according to the Office for National Statistics – the biggest annual rise since August 2007.

Travis Perkins said that where global demand for raw materials or inflationary pressures pose challenges, they were "working closely with suppliers and partners to minimise price rises".

Kate Barker, a former member of the Bank's monetary policy committee, said price rises for raw materials should not be a surprise. "People can't spend money on foreign holidays so they are thinking, 'I will get that room painted or get the extension done,'" she said. Her "gut feeling" was that rises for raw materials would not feed into wages.

Building industry sources said there were expectations that shortages of raw

materials would be temporary while the economy adjusted to the rise in demand. Big infrastructure projects such as the HS2 rail line are believed to be fuelling the demand for raw materials.

David O'Leary, policy director at the Federation of House Builders, said that price rises and materials shortages were unlikely to have an impact on housing delivery, but for smaller housebuilders "this is yet another test".

Not all sectors of the economy are recovering at such speed. Paleja, at the CBI, noted "how fragile the situation will remain for some businesses".

Economists at Barclays noted that retail spending had already eased back.

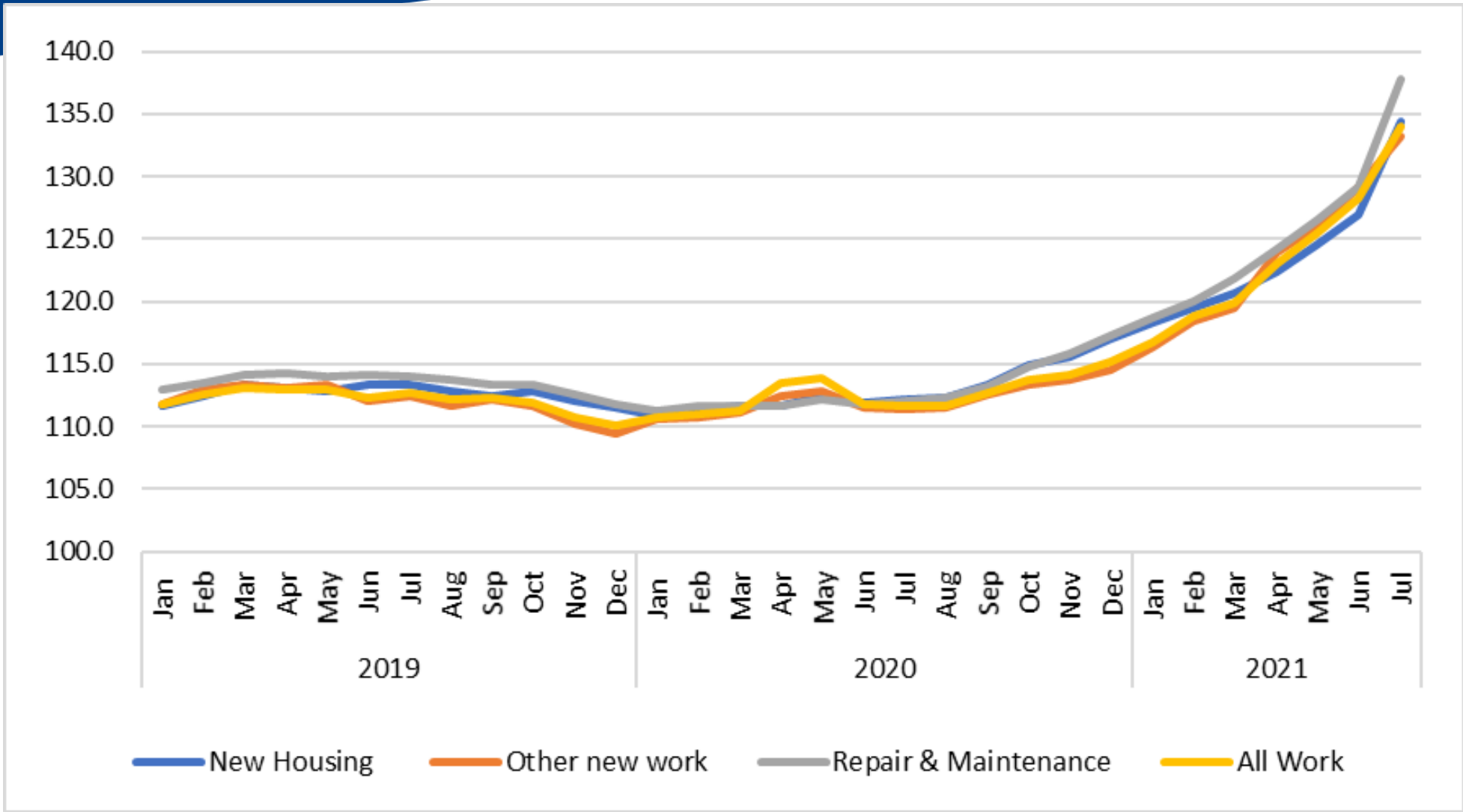
The ketchup conundrum, page 2



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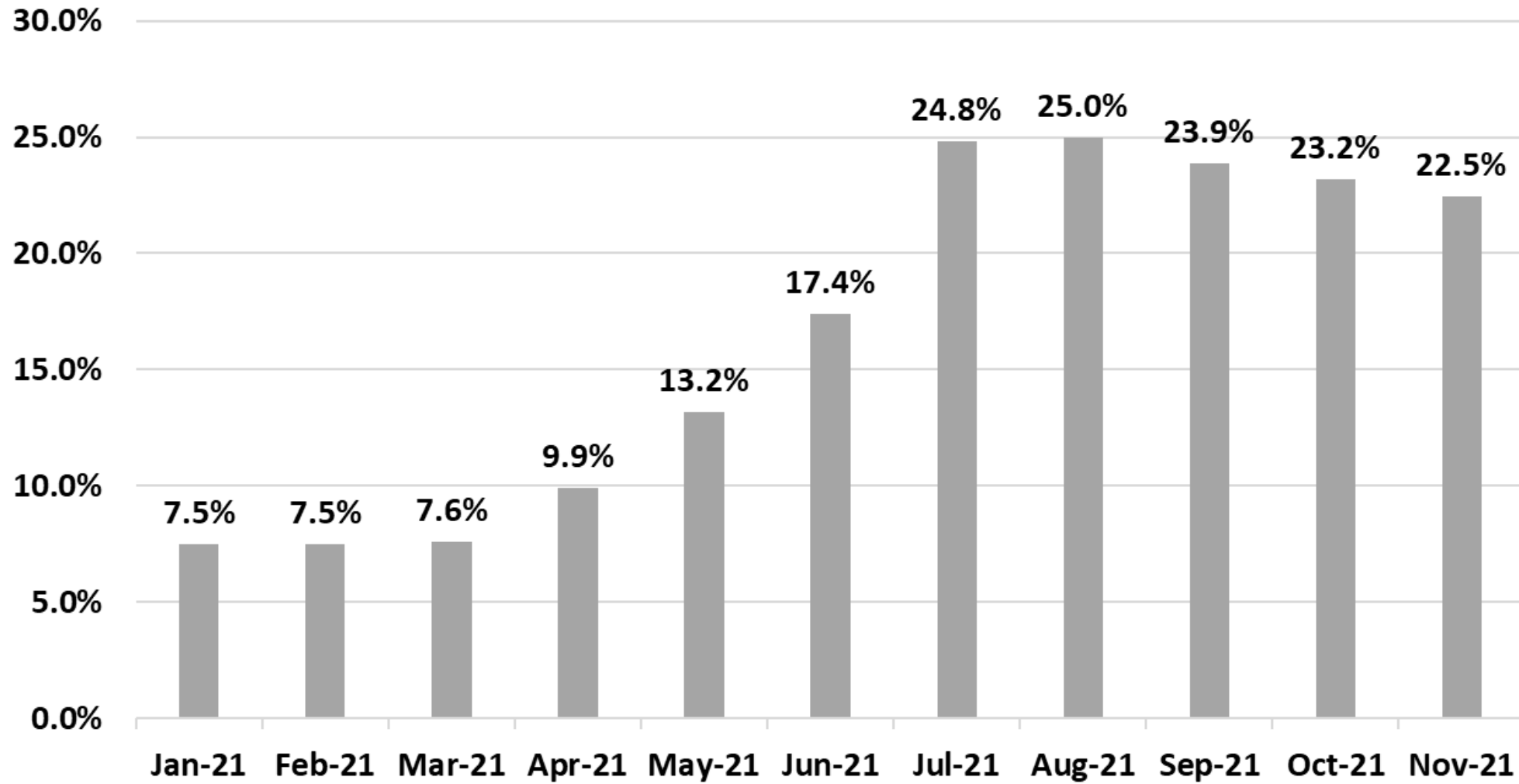
Construction material prices indices (2015=100)

June 2021



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YOY Selling Price Inflation %



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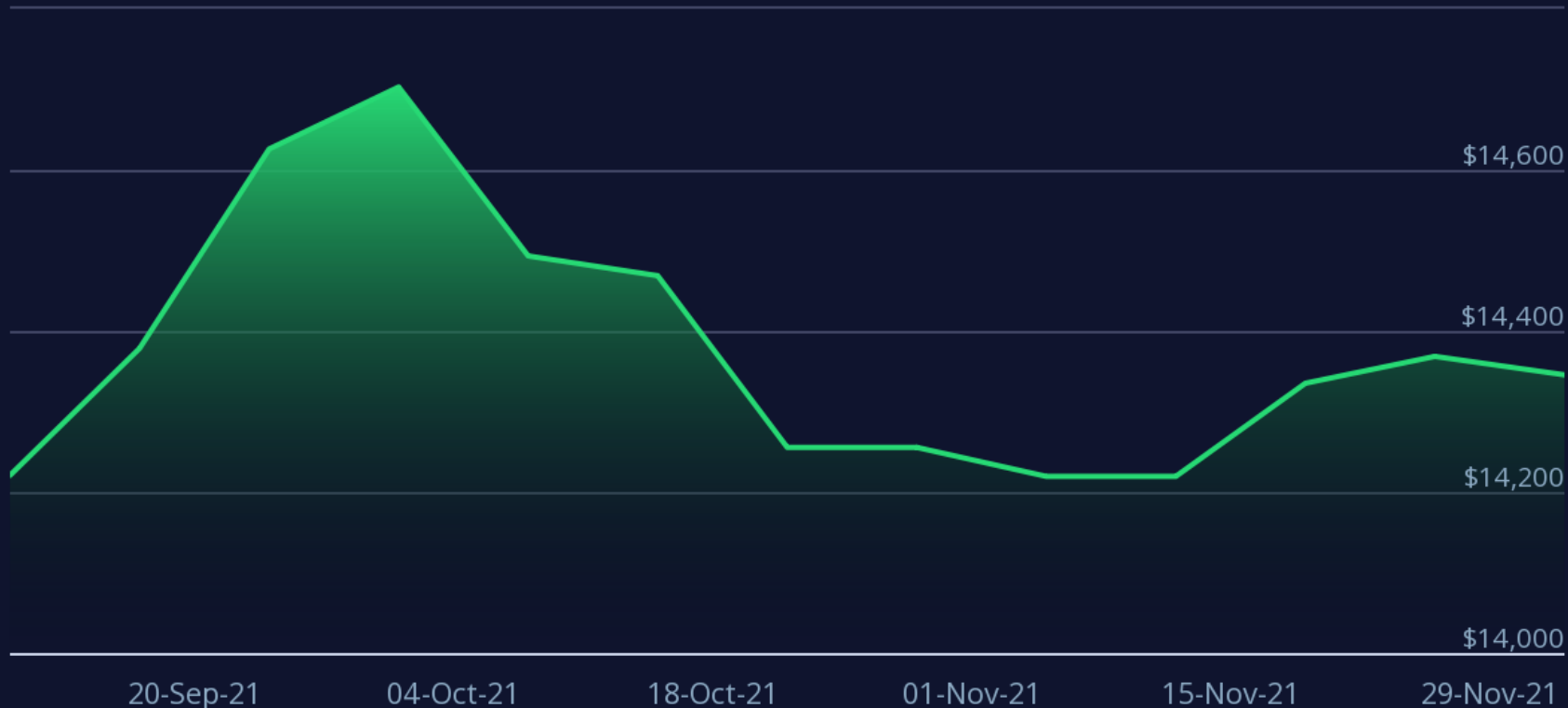
Nov – YTD YOY Inflation by Product Group

PG1	
Heavyside	8.4%
Timber & Joinery	47.2%
Tool Hire, Power Tools &	2.1%
Heating	4.4%
Civils & Drainage	12.9%
Plumbing	11.3%
Lightside	4.5%
Bathrooms	7.0%
Kitchens	2.5%
Tiling	-1.3%
TOTAL	17.2%

Freightos Baltic Index (FBX)

FBX11 China/East Asia – North Europe

03-Dec-21 | \$14,345



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fbx.freightos.com

These figures represent freight rates from **China/East Asia to North Europe**. The source is Freightos Ltd – one of the main sources for international freight prices and trends, alongside Fitch Ratings and Bloomberg.

Rates peaked to their highest for the year on 1st October 2021 (\$14,703) before easing slightly during October and November. However, rates have remained consistently above \$14,200 in the last quarter and rising again in December.

1st Jan 2021: \$5,923

5th Feb 2021: \$7,939

5th Mar 2021: \$8,004

2nd Apr 2021: \$7,373

7th May 2021: \$8,151

4th Jun 2021: \$10,492

2nd Jul 2021: \$11,359

6th Aug 2021: \$13,819

3rd Sept 2021: \$13,869

1st Oct 2021: \$14,703

1st Nov 2021: £14,255

3rd Dec 2021: £14,345



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Carrier Reliability

Carrier reliability continues to be low



- Carrier reliability continue to be impacted by market conditions and remain far below previous years' performance.
- In April 2021, carrier reliability fell to under 40%, as carrier continue to face port delays, compounded by suspension of traffic at the Suez Canal.

Ports/Container Issues

- Reports of some easing of ex-Asia ocean freight markets in the last 3 weeks with better container availability
- Still significant port congestion issues
- Container ports around the world are dealing with backlogs in containers due to:
 - Unprecedented volatility
 - Lagging supply and demand
 - Empty container shortages
- UK ports experiencing particularly high volumes
- Ports are working around the clock to clear the backlog
- Only a few ports are able to take larger 40ft containers
- Containers being stored in Rotterdam as cannot get into UK but situation easing
- Some suppliers switching to air freight which has significant higher cost implications
- Increased paperwork – still uncertainty around this



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Jim Ratcliffe

CEO - Ineos



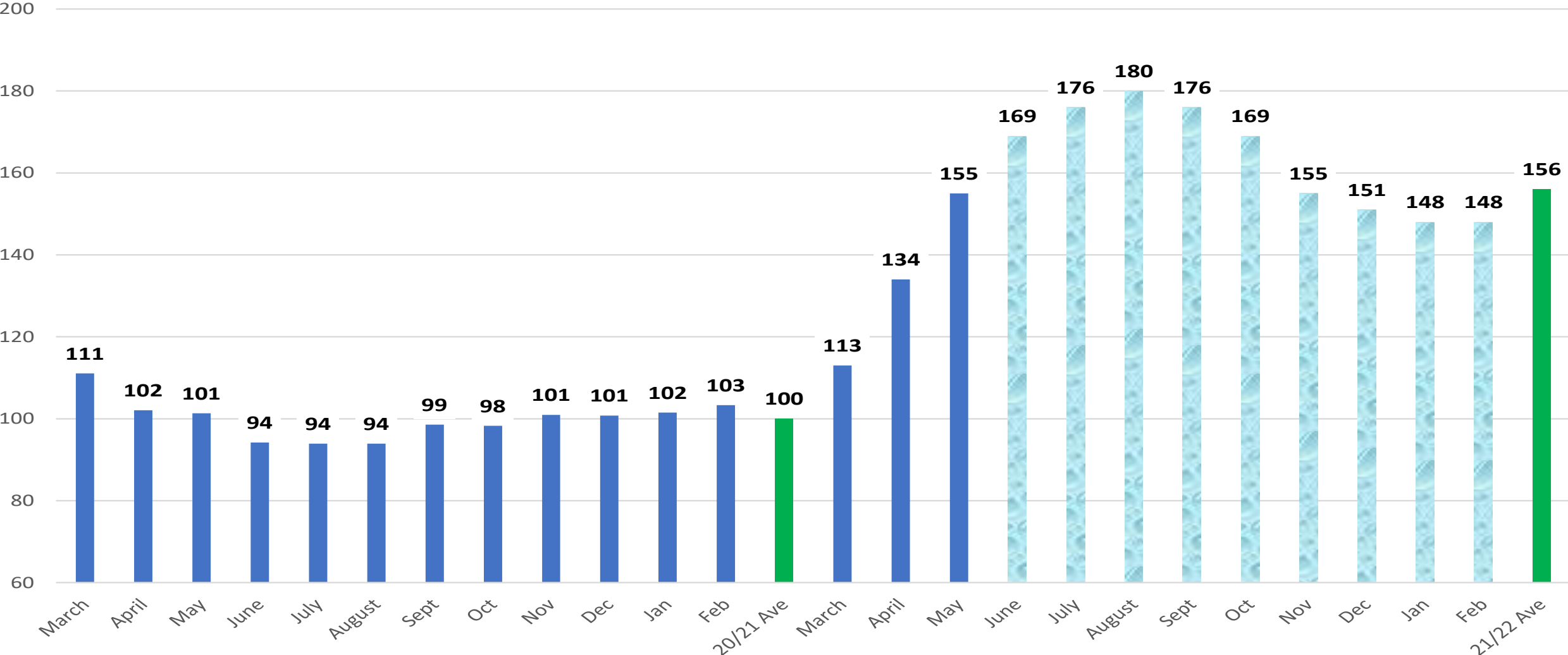
- Polythelene (PE)
 - *Demand remains strong across all applications*
 - *Industry supply restricted with European producers constrained on Ethylene*
 - *Imports from the US remain scarce*
 - *Spot spreads are top of the cycle and forecast to prevail into Q2 and beyond*
 - *Ramadan and Storm Uri expected to curtail imports from the Middle East and the US respectively*
 - *Shutdowns are also scheduled for EU producers in Q2*

- Polypropylene (PP)
 - *Lack of industry supply continues to raise tensions between suppliers and converters*
 - *Propylene shortages in Europe combined with producer reliability issues has left the market short*
 - *Converters fixated on securing supply at just about any cost*
 - *Prices and price spreads at 10-year high*
 - *Chinese and US markets are short, any surplus from Asian exporters likely to end up there*
 - *Market prices to prevail for 1H and into the start of 2H.*



Forecast of HD Polyethylene prices

Raw Material price 20/21 and assumptions 2021/2



What Can We Do?

- Where products are in short supply, any allocation systems should be as transparent as possible so all customers can be seen to be treated fairly.
- The accuracy and timeliness of communications will reduce current frustrations. For example, customers should not over-order unnecessarily, while manufacturers should not promise delivery dates that cannot be achieved, only to cancel at short notice.
- Where relevant, the production for major projects – which is typically scheduled well in advance – should not be seen to adversely affect volumes available for smaller, regular customers.

Schedule of works

More accurate forecasting of future works.....

JEWSON

CIVILS

FRAZER

Client

Manufacturer

Supplier

Contractor

FRAZER

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CIVILS

- Thank you for joining me on this brief update



Construction Product Availability Statement

Statement from John Newcomb, CEO Builders Merchants Federation and Peter Caplehorn, CEO Construction Products Association, co-chairs of CLC Product Availability work group. Demand for construction

[Read more](#)



Thank you!

Q&A



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