



Merchants' views on the effects of Brexit... and Covid-19

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As featured in:



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Who knew how rapidly sensible precautions against the effects of Covid-19 pandemic would put the bulk of the industry into partial lockdown or hibernation?

For this year's Leading Lights, we asked MRA Research to speak to builders' and plumbers' merchants, and BMBI Experts for their views on the industry's prospects post Brexit. With a stable Government and an agreed way forward, we wanted to ask merchants and leading voices in our industry about key issues they face and what will influence market confidence.

At the time of interviewing in early March, no one anticipated the speed at which the Covid-19 crisis would hit construction and our sector. By the end of March, the UK was in lockdown under Government measures to contain the virus. This included widespread closures of non-essential businesses. Government statements failed to make clear the status of construction, merchants or the supply chain and confusion erupted, which caused massive disruption to the supply chain. National merchants and the BMF attempted - successfully - to clarify Government intentions and persuade Ministers and their advisors that the supply chain is absolutely essential. Following those meetings, personnel from the Treasury spent 45 minutes pouring over the BMBI website (www.bmbi.co.uk) to mug up on building material supply chain trends and read what BMBI Experts were saying.

The industry got its point across and the Secretary of State for Business, Energy & Industrial Strategy The Rt Hon Alok Sharma MP issued a very clear statement in the form of an open letter. The letter paid tribute to the construction industry and the many individuals delivering on large and small construction sites across the country, in builders' merchants and logistics providers, and manufacturers of construction and mineral products. The letter can be viewed on the BMBI website.

It's too early at the time of writing to know what affect that will have on merchants, their customers and suppliers that have already taken their decisions and sent staff home. It is vitally important that the UK keeps its capability to build, maintain and repair - safely. Britain needs essential building works in hospitals, clinics, laboratories, transport, and factories to help fight the crisis. People affected by flooding still need their homes repairing so they can move back in. When the heating, plumbing or security fails, homeowners need

it fixed quickly. And with significant housing shortages and overcrowding in many homes, people need space and homes to live.

This research from early March is a reminder how quickly markets can change when a ‘Black Swan’ event - one that no one anticipated - strikes a country or an industry. But the findings are still valid, because once the Coronavirus crisis starts to resolve, as it will, the Government still has the matter of negotiating a Brexit deal that works for the UK in the medium to long-term. As this research shows, while merchants were more confident, they and their businesses didn’t feel out of the woods, and they’re not sure what to expect in the medium or longer-term!

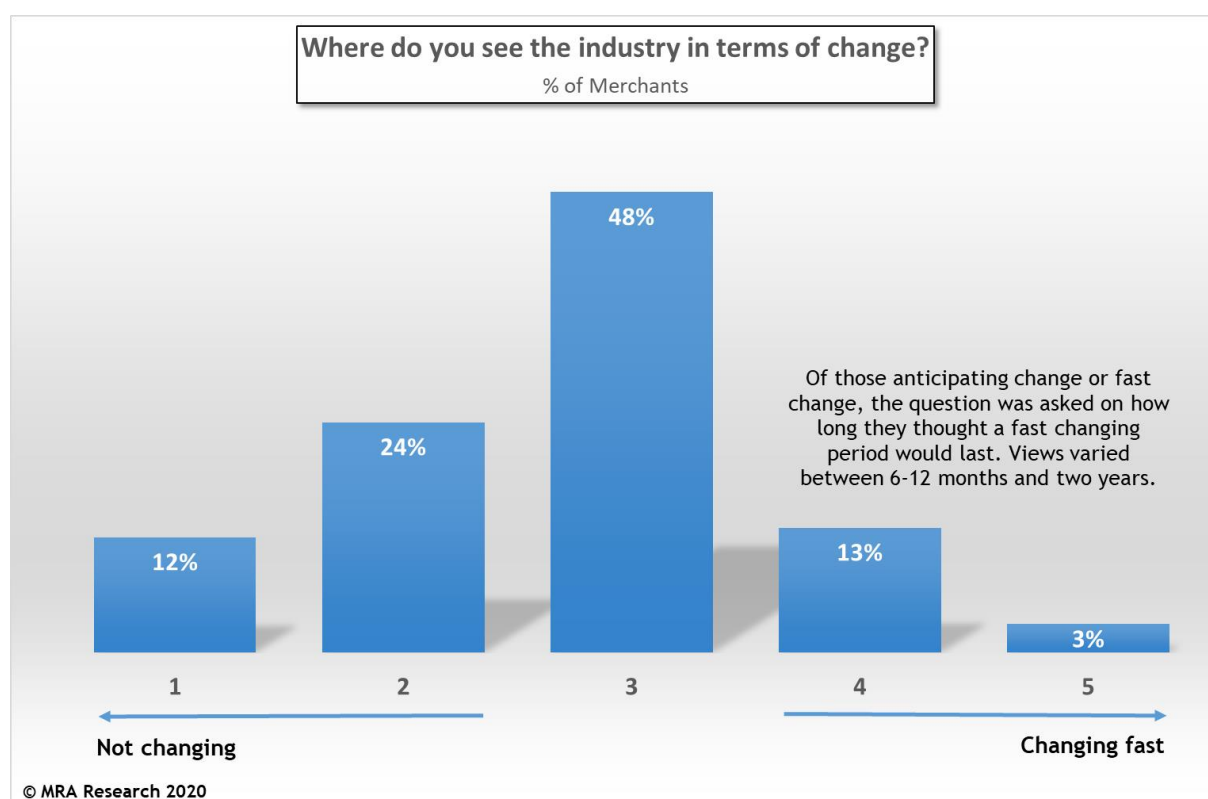
While the market will return and recover and confidence with it, once Covid-19 measures are relaxed and a sense of normality resumes in the day-to-day running of businesses, it will take time to restart the construction supply chain. With so much happening so fast on a daily basis, that’s as much as we can say.

Survey Results

Expectations for change

Q. On a scale of 1 to 5, where do you see the industry in terms of change, where 1 is not changing at all to 5 is changing fast?

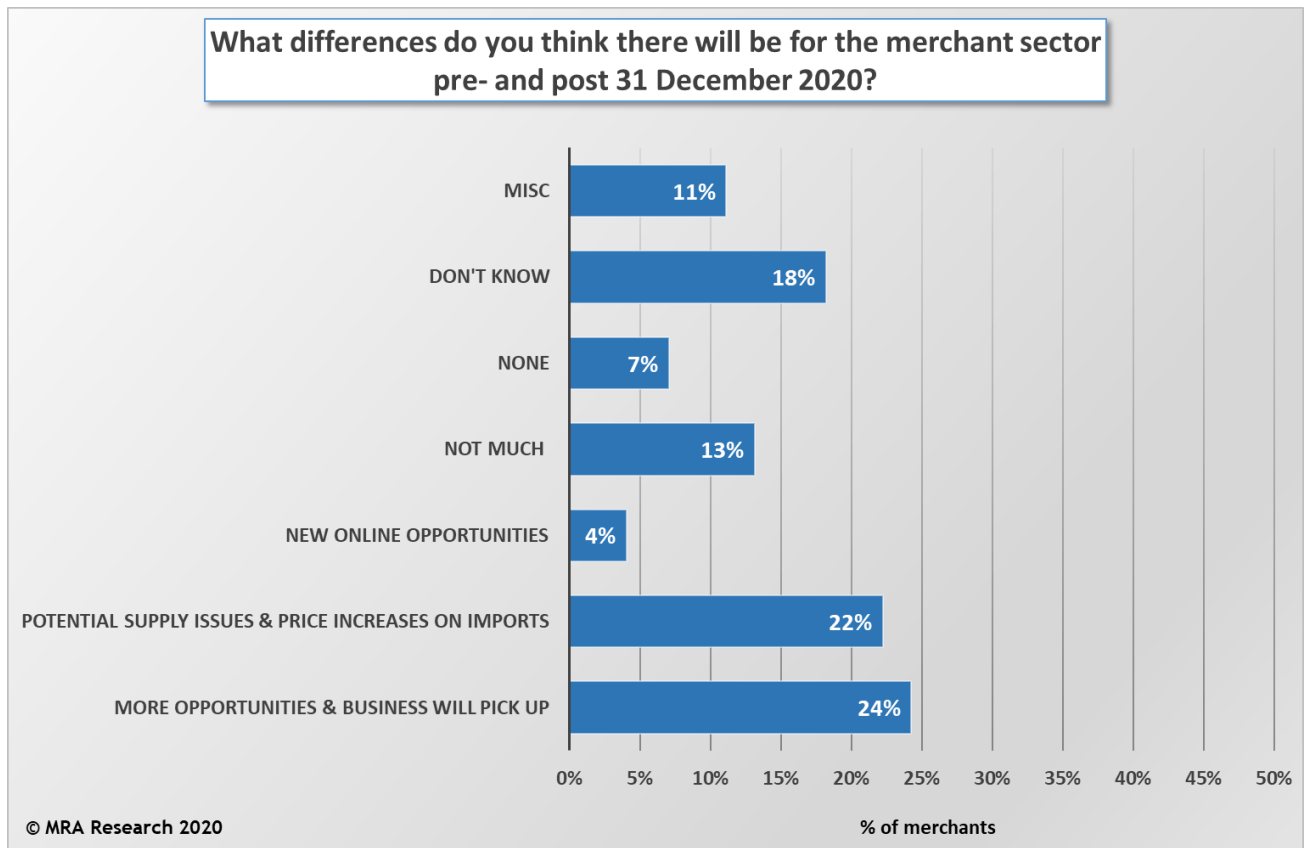
In early March, it was clear the merchant sector had split views on their expectations for change this year. A net 20% expected very little change in the market. Most merchants (48%) were somewhere in the middle, expecting things to change relatively slowly.



The difference between the percentage of merchants expecting little or no change (rated 1 or 2) and those expecting fast change (rated 4 or 5) is the net figure, expressed as a percentage.

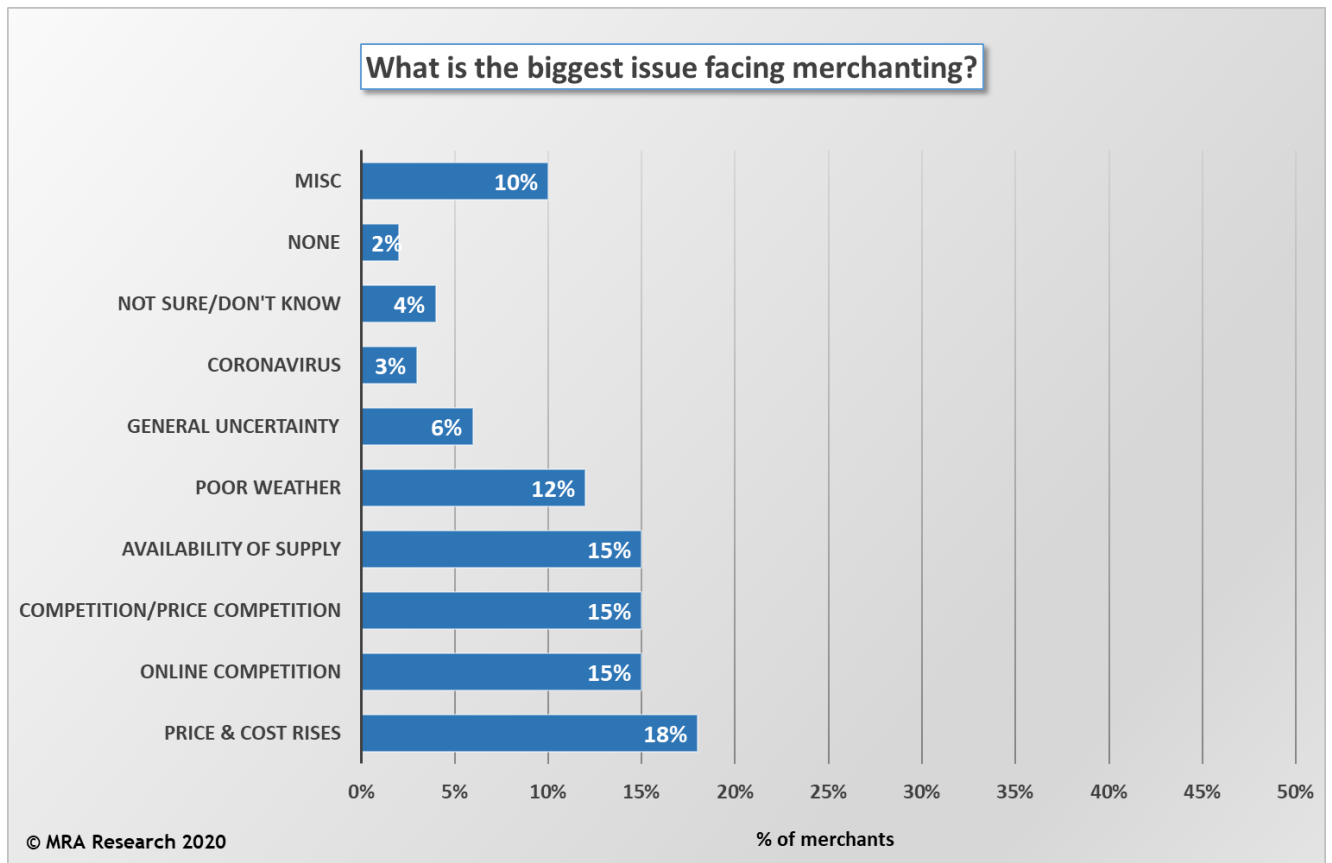
Expectations pre- & post-Brexit negotiations

Just under a quarter of merchants interviewed in early March (24%) had a positive outlook, expecting business to pick up and improve this year and next. But almost an equal percent of merchants (22%) were anticipating supply problems and higher prices. Four percent of merchants singled out new online opportunities, but 38% of merchants either expected little or no change in the market, or just didn't know.



Biggest issue facing merchanting

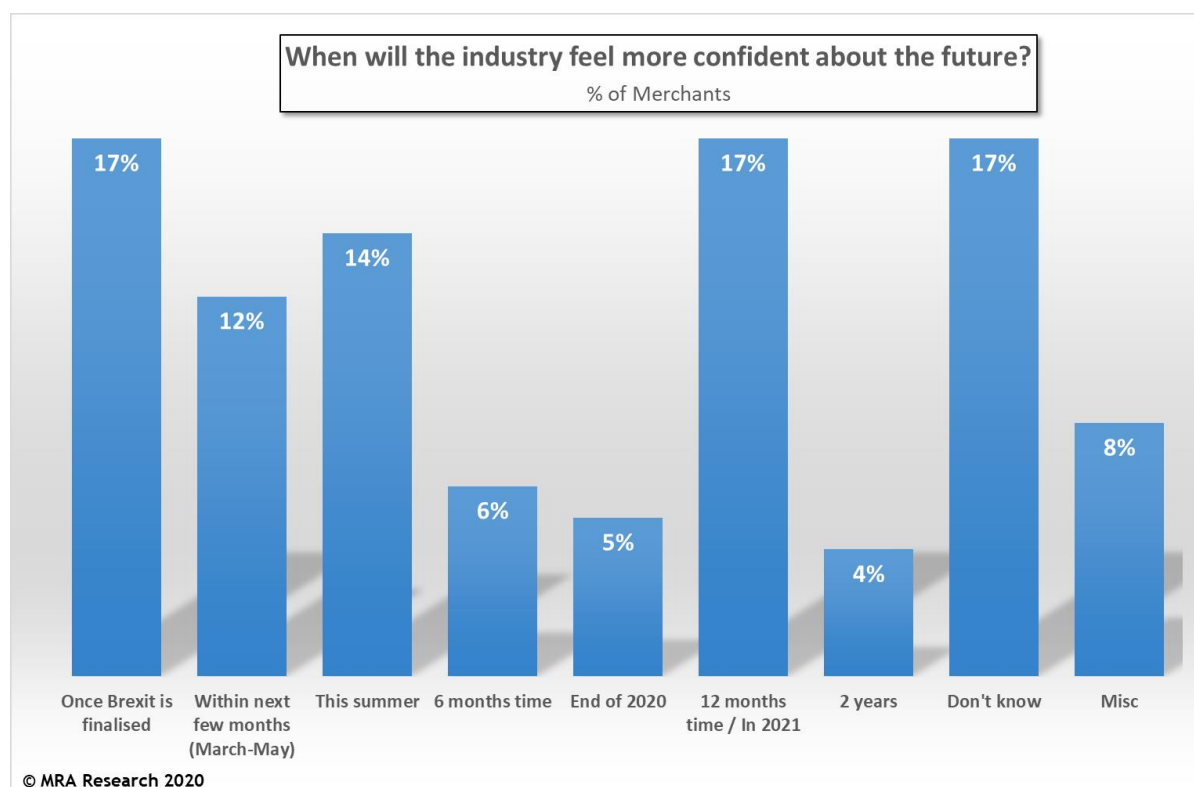
At the time of interviewing, early March, the Coronavirus crisis had not yet impacted on the merchant sector, with only 3% of merchants reporting Covid-19 as the biggest issue. But just four short weeks ago, price and cost rises (18%), online competition (15%), price competition (15%) and availability of supply (15%) were the biggest problems facing merchants.



Confidence

It's worth recalling that confidence had bounced back strongly after Boris Johnson achieved a sufficiently large majority to regain control of the legislative agenda and start negotiating more confidently with the EU.

So, asked to put a timeframe on when the industry would start to feel more confident about its future, responses varied significantly, from a few months to two years. Just under a fifth of merchants specifically mentioned 'Once Brexit is finalised', with the same number also saying it would be in 12 months' time or into 2021. Merchants were just starting to see the future more clearly but were not expecting a significant surge in confidence this year. Four weeks later, it's reasonable to assume that precautionary measures against Covid-19 will have transformed merchants' view of the future.



Establishing stability after Brexit and encouraging consumers to spend again was mentioned by a third of respondents as critical in establishing confidence. However, presciently, there were more mentions of Coronavirus impacting supply and affecting overall confidence in the interim.

About the survey

This survey was conducted and produced by MRA Research exclusively for Builders' Merchants News Leading Lights. MRA Research is the insight division of MRA Marketing. Telephone interviews were conducted with a representative sample of 100 builders' and plumbers' merchants between 2nd and 5th March 2020. The sample was balanced by region, size and type of merchant, including nationals, regional multi-branch independents, and smaller independent merchants.

The full report can be downloaded at www.mra-research.co.uk or from www.buildersmerchantsnews.co.uk.