Prepared by Glenigan, on behalf of NFRC

Glenigan

State of the UK Roofing Industry

Q3 2022

November 2022

NFRC

LEADING ROOFING EXCELLENCE

NFRC is the UK's largest and most influential roofing and cladding trade association. With a history spanning over 130 years, NFRC has established itself as the voice of the roofing industry, constantly adapting to change and innovation to ensure its members are at the forefront.

nfrc.co.uk

Contents

Charts

About The Author

Allan Wilen BSc (Hons),
Economic Director

Glenigan

Allan heads up Glenigan's Economics Unit and has over 30 years' experience in providing insightful market analysis and forecasts on UK construction and the built environment. Following 20 successful years as Economics Director at the Construction Products Association, Allan joined Glenigan 14 years ago. During this time Allan and his team have helped hundreds of businesses confidently develop their market strategies.

Allan sits on the Consulting Committee on Construction Industry Statistics for the Dept for Business (BEIS), is member of a Construction Leadership Council working group and is a guest lecturer in construction at the University of Reading.

About This Survey

This report looks at activity during the three months to September 2022. The survey of NFRC members was conducted between the 28 September 2022 and 19 October 2022. 107 roofing contractors responded to the survey and the responses were weighted to reflect the size of the individual firms and the structure of the roofing sector.

Introduction by James Talman, NFRC CEO

James Talman

NFRC CEO

NFRC
LEADING ROOFING EXCELLENCE

The results of the State of the Roofing Industry survey for Q3 of 2022 appear to support a current dominant narrative regarding running a roofing and cladding business: pipelines of work have up to now remained strong for most, but other factors are making it a challenge to do business. Roofing contractors' workload grew once again during the third quarter of 2022. 44 per cent of firms reported a greater workload compared to the previous quarter, with only twelve per cent reporting a decline. Firms in the new residential (31 per cent) and commercial repair, maintenance and improvement (26 per cent) markets saw the most growth, whilst the regions in which the most companies reported growth were Wales (51 per cent), the South West (48 per cent) and the Midlands (43 per cent).

Enquiries in the commercial repair, maintenance and improvement sector were stable (with a balance of one per cent of contractors reporting an increase), while firms across all other sectors reported a decline—most notably commercial new build and domestic repair, maintenance and improvement (with balances of 20 per cent and 17 per cent respectively reporting a fall). This indicates an upcoming downturn in the pipeline of work, though firms seemed optimistic that workloads would continue to grow to the end of the year, with a stabilisation in 2023.

As expected, obtaining sufficient labour continued to be a problem in Q3, with 51 per cent of firms reporting greater difficulty finding the operatives and staff with the right skills. Only nine per cent said they had found it easier than in the previous quarter. Once again, roof slater and tiler proved to be the role that the highest proportion of firms struggled to fill, with 35 per cent of those surveyed saying they were struggling to find suitable operatives with that skillset. 23 per cent reported difficulty finding built-up felt roofers, and 20 per cent had the same difficulty with general labourers. Supervisors and estimators also proved to be in short supply, with 19 per cent and 14 per cent of firms respectively struggling to fill roles. One respondent said that if they had enough staff, their firm would be able to double its current output.

This quarter, we also asked firms about whether they have trouble retaining staff. 32 per cent said yes, they had struggled to keep new starters recently. This was most prevalent in the new build and domestic repair, maintenance and improvement sectors. The government's target of 300,000 new homes a year is surely under some threat if more than four in ten firms in the new residential sector are struggling to keep new staff. (In recognition of this issue, NFRC offers bespoke programmes to support new starters and their employers for the first six months for free—more information is available via the online Careers Service.)

Labour costs were an additional challenge—a balance of 59 per cent of firms reported an increased wage bill during the quarter. This was amidst a background of a balance of four per cent of firms increasing direct headcount, and 17 per cent increasing their use of subcontracted labour (hence the implication that increasing headcount was not the only thing pushing up wage bills).

Material prices continued to rise too, with three quarters of firms (75 per cent) reporting seeing costs rise compared to the previous quarter. This pressure alongside others led to a majority of firms (a balance of 52 per cent of firms) increasing their tender prices during the quarter.

The availability of materials continued to be a challenge, with a balance of 21 per cent of firms reporting increased difficulty in obtaining the necessary supplies. Concrete roof tiles proved hardest to obtain, with 24 per cent of firms reporting an issue getting what they needed. 18 per cent of firms reported difficulty in obtaining insulation, 17 per cent reported the same regarding clay roof tiles and 17 per cent reported that ridges were hard to obtain. Nine per cent of firms reported that it was difficult to obtain the necessary timber battens. (Batten availability challenges have eased considerably in recent months, but firms should be aware of recent concerns regarding a large number of fake and non-compliant battens that have recently entered the market—see NFRC's recent Safety Alert.)

Late payments remained common: 54 per cent of firms had average contractual payment terms of 30 days or less, but only 21 per cent of firms actually received payments on average within that time.

On the whole, it's a mixed picture—cost inflation, project delays and labour challenges are putting pressure on firms, yet the majority of firms still have ample demand for their work, and material availability issues have eased considerably compared to a year ago. Government needs to provide contractors with reassurance that they will help businesses to carry the burden of increased energy costs, look at removing barriers to cashflow (including retentions), and invest in training the next generation of the construction workforce so that firms are not continually hampered by a lack of operatives.

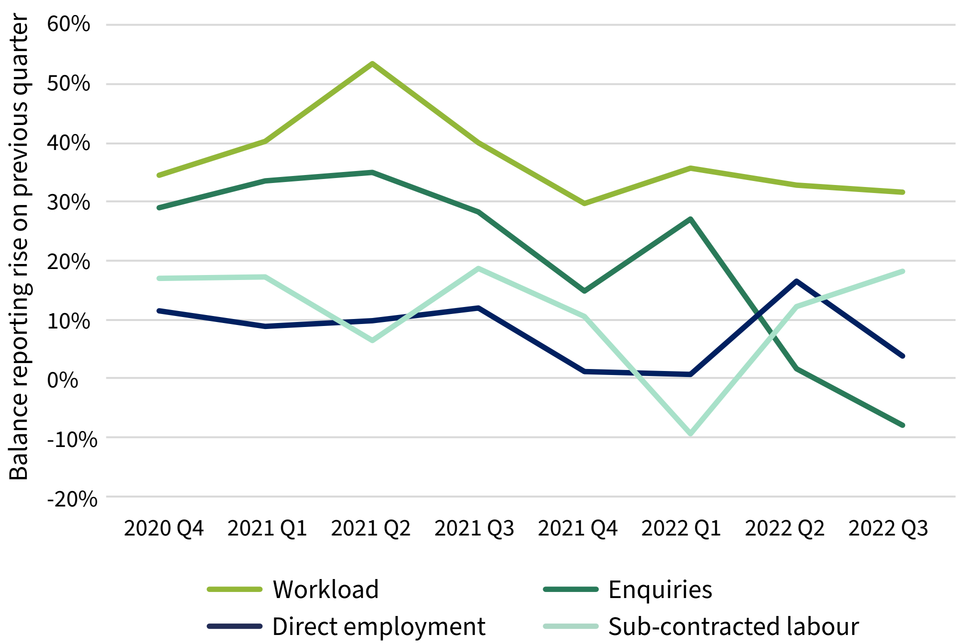
Key Indicators

Roofing contractors' workload grew during the third quarter of 2022. 44 per cent of firms saw a rise in workload on the previous quarter against twelve per cent reporting a decline. A balance of 42 per cent of firms report that workload was up on a year ago.

A balance of eight per cent of firms saw a decline in enquiries, the first negative balance since the survey's inception in 2020 Q4. This points to a cooling in workload over the next three months. In addition, a balance of ten per cent of firms report enquiry levels were down on a year ago.

Employment increased. A balance of four per cent of firms had increased their direct employment levels against the previous quarter and a balance of 18 per cent of firms increased their use of sub-contracted labour during the quarter.

Chart 1: Key Indicators



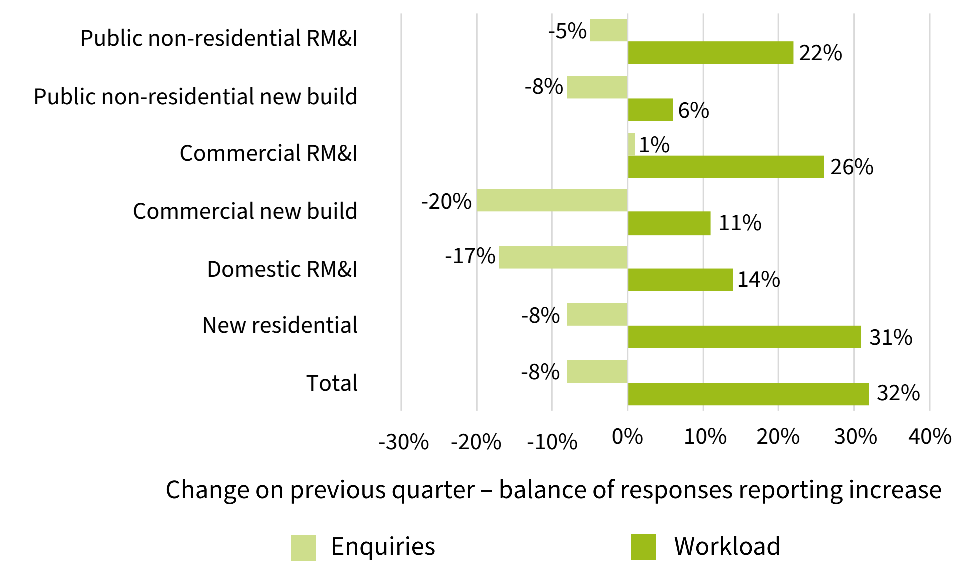
N.B. Balance of respondents refers to the percentage reporting an increase less the percentage reporting a decline

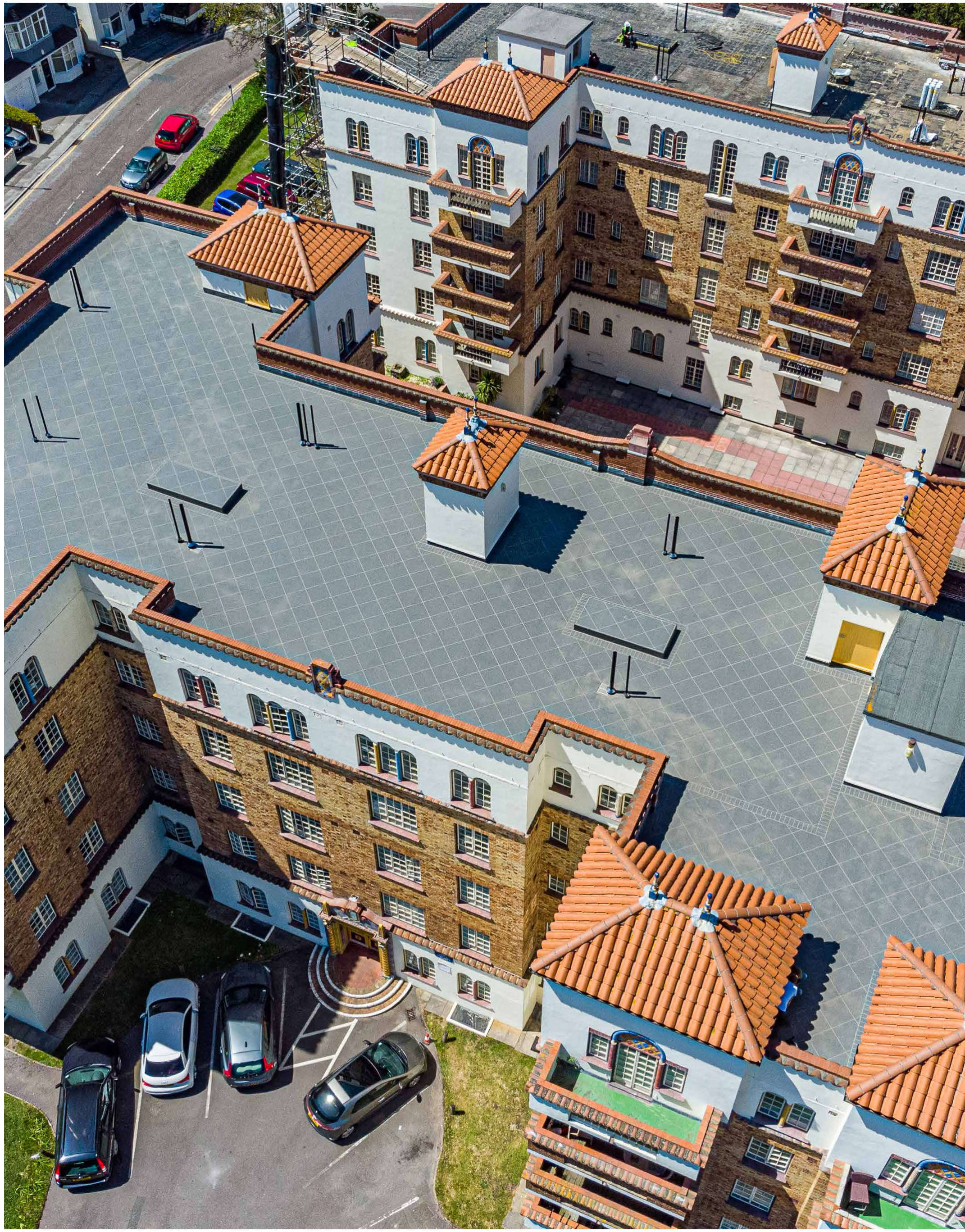
Workload and Enquiries by Sector

Workload continued to rise during the third quarter with a balance of 32 per cent of roofing contractors reporting that their overall workload was up on the second quarter of 2022. The growth in roofing contractors' workload was widespread across most sectors. New residential, commercial RM&I and public non-residential RM&I were the fastest growing sectors, with a balance of 31 per cent, 26 per cent and 22 per cent of firms operating in the sectors respectively increasing their workload. In contrast recent strong growth in commercial new build and public non-residential new build cooled during the quarter with a balance of just eleven per cent and seven per cent of firms respectively reporting increased workloads against the previous quarter. Growth in domestic RM&I remained subdued with a balance of 14 per cent seeing an increase in workload, slightly up on a balance of seven per cent in the second quarter.

Enquiries point to a cooling in workload over the coming months. Commercial RM&I was stable with a balance of one per cent of firms reporting a rise in enquiries during the third quarter. Firms report a decline in enquiries across all other sectors. The commercial new building and domestic RM&I sectors saw the sharpest decline, with a balance of 20 per cent and 17 per cent respectively of firms operating in these reporting few enquiries.

Chart 2: Workload and Enquiries by Sector



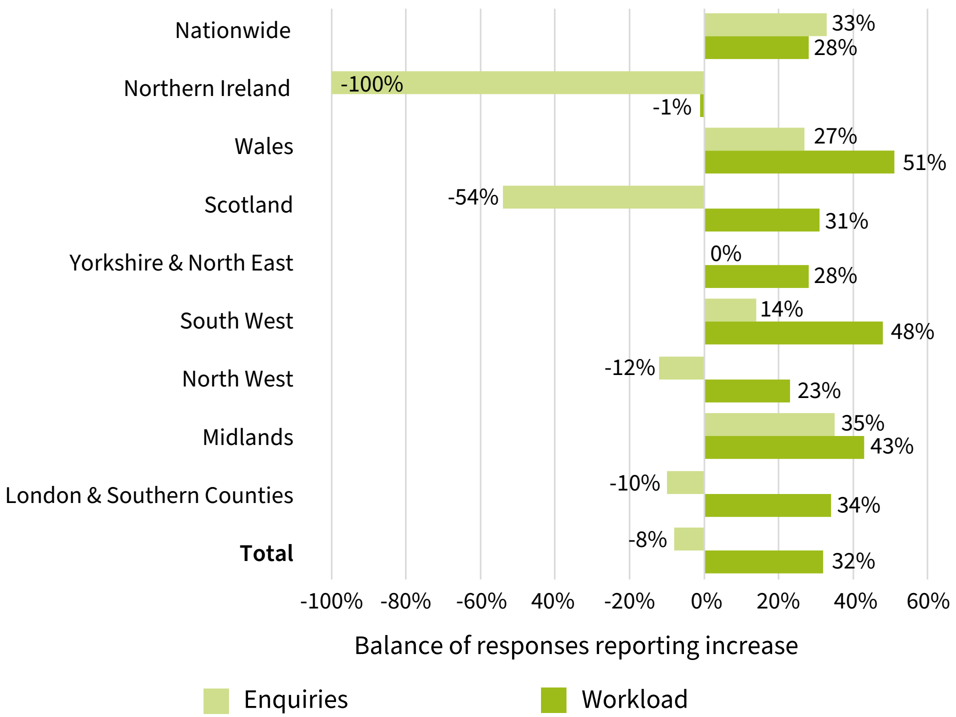


Workload and Enquiries by Region

Roofing contractors in all parts of Great Britain saw a rise in workload during the third quarter of 2022. Roofing contractors operating in the South West and Wales saw the strongest growth during the third quarter with a balance of 48 per cent and 51 per cent of firms respectively reporting a rise in workload. In addition, a balance of 28 per cent of contractors with nationwide operations saw an increase in workload against the previous quarter. In contrast contactors operating in Northern Ireland reported workload was little changed during the quarter.

New enquiries point to a divergence in regional workload growth over the coming months. A balance of contractors in the Midlands, Wales and the South West, along with those with nationwide operations, reported an increase in new enquiries during the third quarter. A balance of firms operating in other parts of the country experienced a fall in enquiries, with those in Northern Ireland and Scotland experiencing the most widespread decline in enquiries.

Chart 3: Workload – Change on Previous Quarter



Employment and Skills Shortages

Staff recruitment difficulties remain. 51 per cent of firms experienced greater difficulty recruiting suitable labour during the third quarter against nine per cent that saw an improvement in recruitment conditions compared to the previous quarter. A balance of four per cent of firms increased their direct headcount during the quarter and a balance of 17 per cent of firms increased their use of sub-contracted labour. In particular, firms operating in the new residential sector were most actively increasing their direct labour force and use of sub-contracted labour.

Roof slater and tiler was the most frequently mentioned difficult to fill role with 35 per cent reporting recruitment problems. There were also widespread shortages reported of tilers, slaters and general labourers.

Chart 4: Labour Indicators

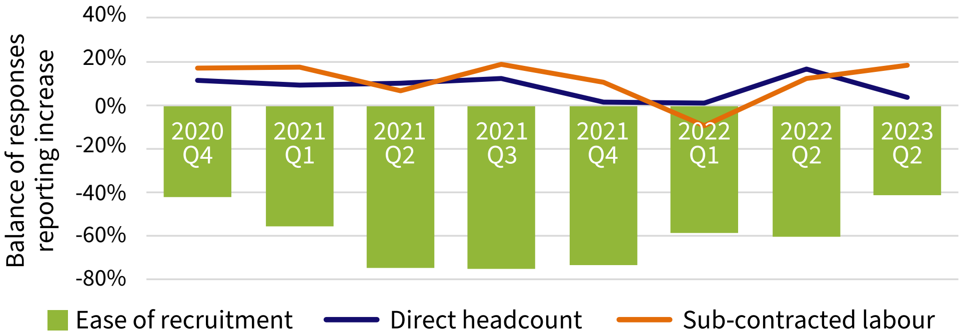
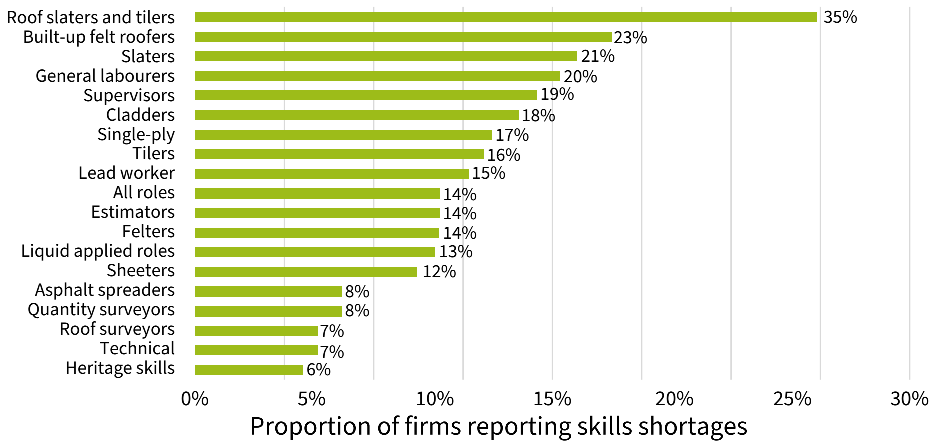


Chart 5: Areas of Skills Shortages



Costs, Prices and Material Availability

Materials availability remains an issue. A balance of 21 per cent of firms reported greater difficulty in securing materials during the quarter, an improvement on the 34 per cent balance in the second quarter. 15 per cent of firms reported difficulty obtaining all types of materials. Shortages of concrete roof tiles were most widespread, reported by 24 per cent of roofing contractors. Additionally, insulation (18 per cent) and clay roof tiles and ridges (17per cent) were frequently mentioned as being in short supply.

Rising material prices continue to increase contractors' costs, with a balance of 75 per cent of firms reporting that their material costs rose during the third quarter. Labour costs have also risen, with a balance of 59 per cent of firms seeing wage costs rise during the third quarter. The increase in contractors' cost has fed through to tender prices, with a balance of 52 per cent of firms raising their prices during the quarter.

Chart 6: Change in Costs and Prices

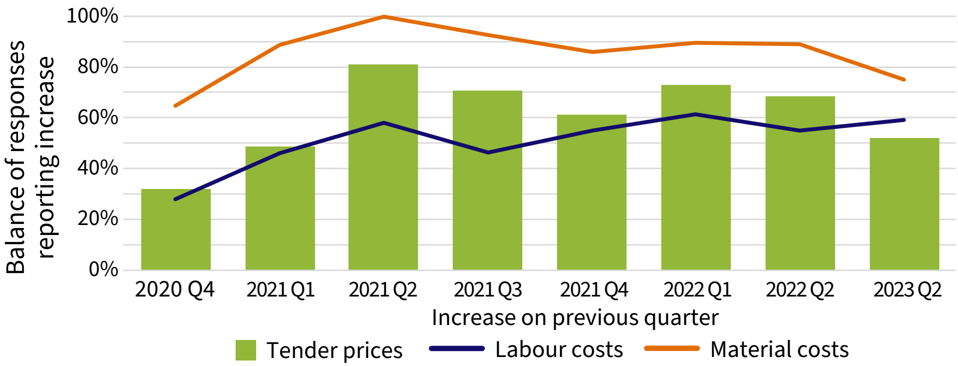
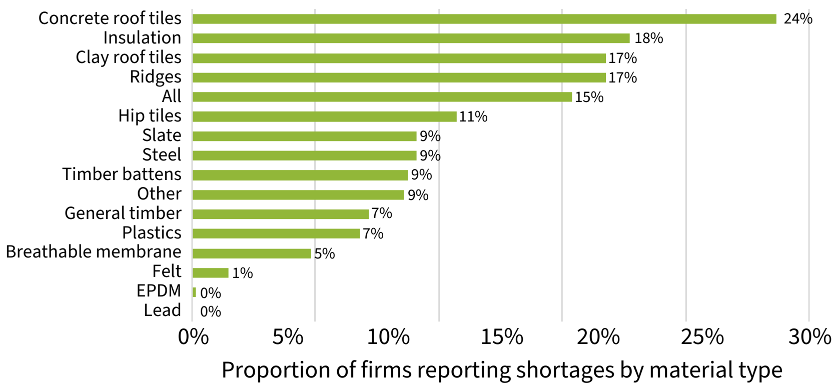


Chart 7: Material Shortages



NFRC Glenigan

Market Expectations

Roofing contractors expect workload to grow more slowly during the fourth quarter and to stabilise over the next 12 months. The public non-residential RM&I, commercial RM&I are set to remain growth areas over the next twelve months. In contrast contractors anticipate a weakening in residential, commercial and public non-residential new build sectors. Regionally a balance of firms operating in the Midlands, London & Southern Counties and Wales and those with nationwide operations expect workloads to grow over the next twelve months. In contrast a balance of firms in the North West, Yorkshire & North East, Scotland and Northern Ireland anticipate a contraction in workload.

Chart 8: Market Expectations – 12 Months

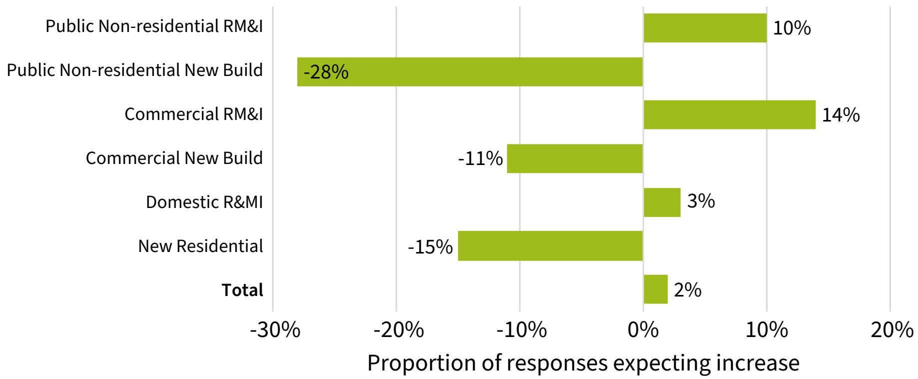
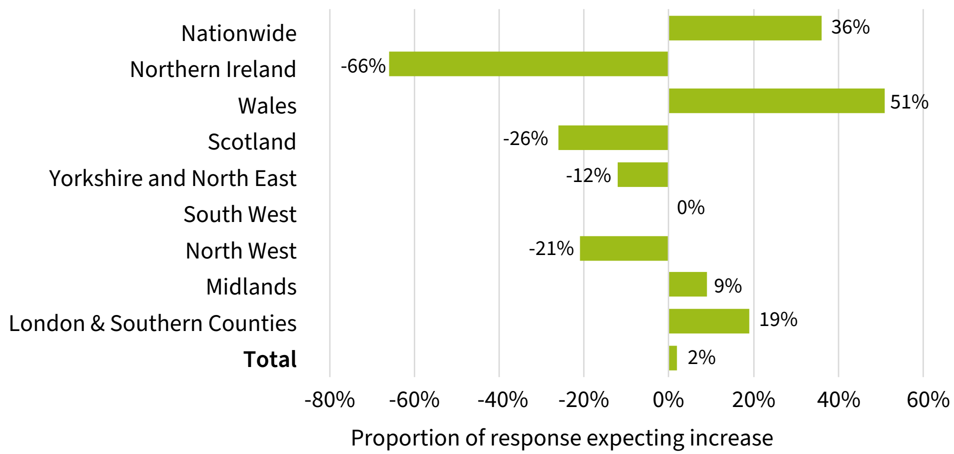


Chart 9: Market Expectations by Region – 12 Months



Payment Terms

Firms reported that the late payment of due accounts remains widespread. Over half of firms (54 per cent) reported that their contractual payment terms were 30 days or less, but only 21 per cent of firms were on average paid within that period. A similar picture was reported by firms with longer payment terms. Only seven per cent of firms had payment terms of 46 days or more, but 29 per cent of firms reported that was the average time that they had to wait for payment.

Chart 10: Payment Terms and Periods

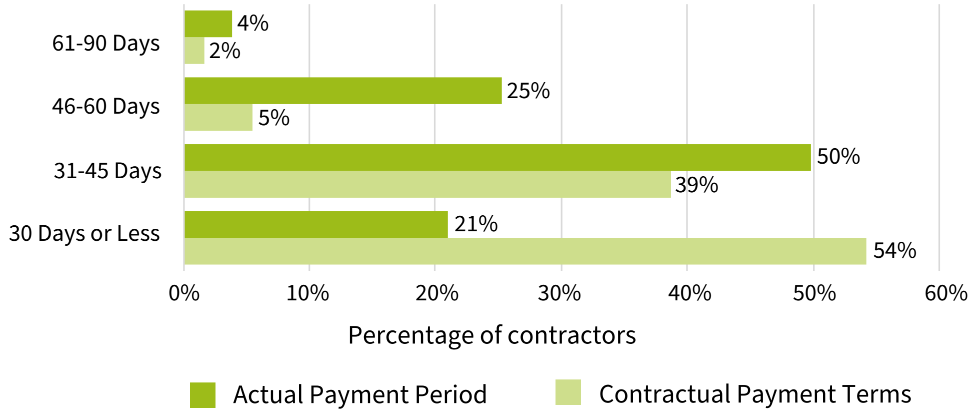
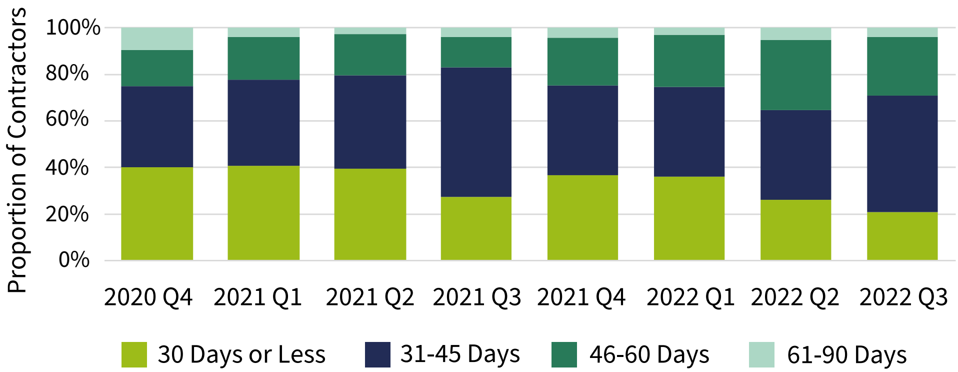


Chart 11: Actual Payment Period



Retention of new employees

Whilst a balance 79 per cent of roofing contractors report that staff recruitment had become more difficult over the last year, 32 per cent of firms also report that they had struggled to retain new recruits over the last year. Firms operating in new build sectors and domestic RM&I in particular have struggled to retain new staff. Over half (59 per cent) of firms operating in the public non-residential new build sector had struggled to retain new employees. Regionally, retention was especially difficult in the North West, South West and Northern Ireland.

Chart 12: Retaining New Employees by Region

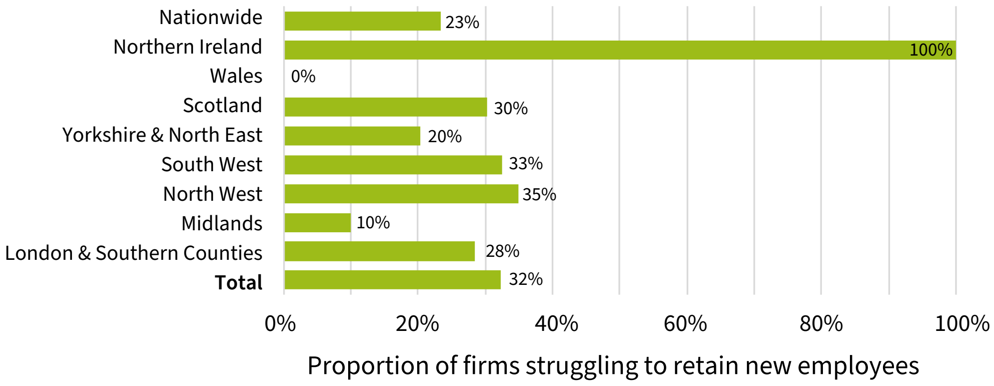
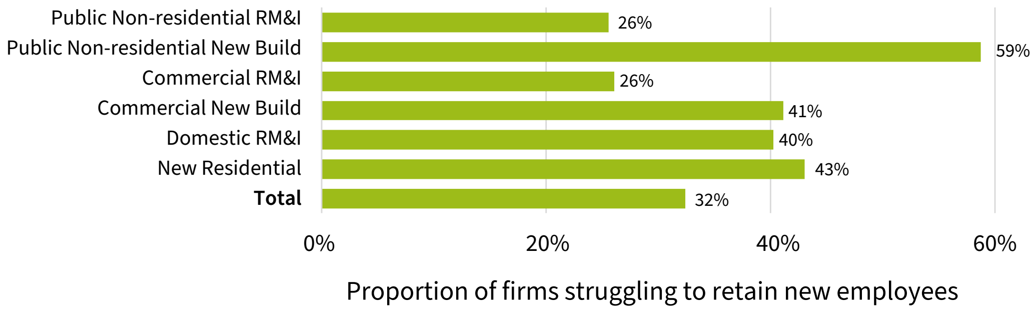


Chart 13: Retaining New Employees by Sector



Glenigan

Glenigan is proud to have partnered with NFRC to produce this State of the UK Roofing Industry report.

We help roofing contractors, materials manufacturers and suppliers to find new-business opportunities, and to better understand their markets.

If you'd like to find out how we can help your business, please visit the link below. We're pleased to be able to offer preferential rates to NFRC members.

www.glenigan.com/nfrc

Call 0800 060 8698
Email info@glenigan.com
Visit www.glenigan.com
80 Holdenhurst Road,
Bournemouth BH8 8AQ

NFRC
LEADING ROOFING EXCELLENCE

31 Worship Street
London
EC2A 2DY
020 7638 7663
nfrc.co.uk