

Prepared by Glenigan, on
behalf of NFRC



State of the UK Roofing Industry

Q1 2023

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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.

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About The Author



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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 March 2023. The survey of NFRC members was conducted between 29 March 2023 and 26 April 2023. 112 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



Q1 of 2023 saw a mixed picture for roofing contractors across the UK, but market expectations for the year ahead remain positive overall.

Roofing contractors' workload grew during the first quarter of 2023, and a balance of 16 per cent of firms saw a rise in enquiries against the previous quarter. A balance of zero per cent of firms report enquiry levels were up on a year ago, meaning that as many firms experienced an increase as saw a fall. Domestic and commercial RMI were the leaders of growth, whilst new build, both domestic and commercial, cooled off slightly for Members during the quarter.

Seemingly, roofing contractors that operate nationwide had a more positive experience with workload growth in Q1 than those operating in a specific region, perhaps suggesting that smaller firms had more difficulty. A balance of 60 per cent of nationwide firms reported increasing workload, whilst in particular firms in Yorkshire and the North East, Wales, and Scotland saw a decline. These three areas were also those which saw a decline in enquiries.

Persistent labour challenges solidified in Q1. 49 per cent of firms reported greater difficulty in recruitment versus only nine per cent who felt that the situation had improved. The data indicates that employment levels rose gently during the quarter despite a challenging labour market, though this leaned towards using sub-contractors. A balance of four per cent of firms increased their direct headcount against the previous quarter, whilst a balance of eleven per cent grew their use of sub-contracted labour in Q1. Once again, the most sought-after skill was roof slating and tiling, with 45 per cent of firms struggling to find enough slaters and tilers. Predictably, this has been reflected in rising labour costs, with a balance of 58 per cent of firms reporting increases during Q1.

In line with expectations, contractors reported improved material availability, with a balance of seven per cent of firms reporting an easier experience securing materials. However, material prices have continued to rise. A balance of 70 per cent of firms reported rising material costs in Q1, up on the previous quarter. Increased costs have fed into tender prices, and a balance of 51 per cent of firms raised their prices this quarter. Cashflow has been made more challenging by persistent late payment, which has been a consistent theme since this survey's inception.

Looking ahead, contractors have positive market expectations for the next quarter and over the coming year, though there is some regional and sector variation, which is explored in this report.

This quarter, we also asked contractors whether they were including solar installation services as part of their offering. A third of those surveyed responded in the affirmative; this was particularly common among nationwide firms, with 52 per cent. Whilst regional firms were far more likely to provide domestic solar installation, nationwide firms were equally likely to provide domestic or commercial/industrial PV. Only 22 per cent of firms offering solar installation said that the government's policy of zero VAT on the installation of solar PV on domestic properties had created more business for their services, with 36 per cent stating that it had no impact.

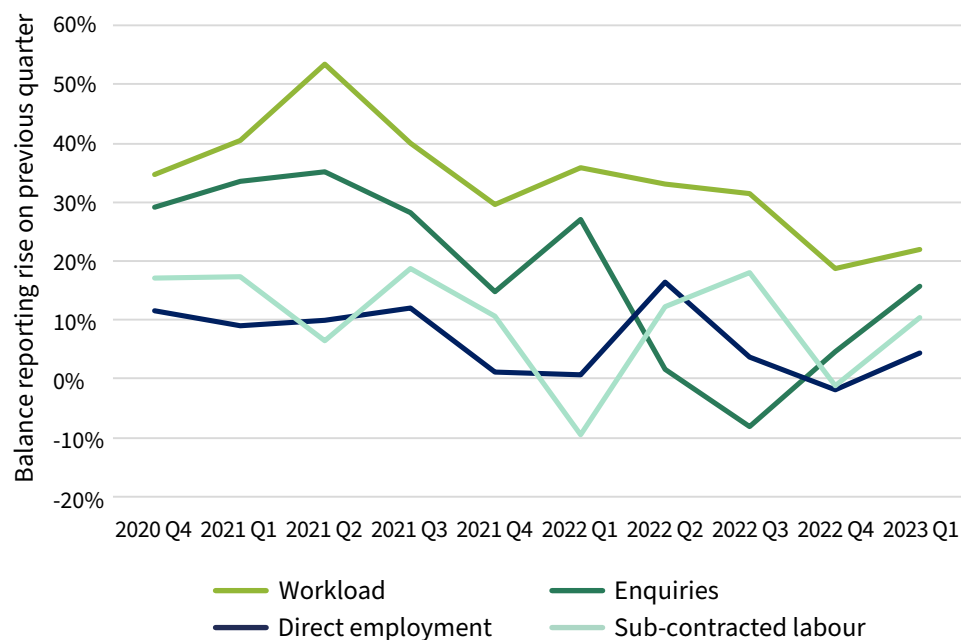
Key Indicators

Roofing contractors' workload grew during the first quarter of 2023. 43 per cent of firms saw a rise in workload on the previous quarter against 21 per cent reporting a decline. A balance of 18 per cent of firms report that workload was up on a year ago.

A balance of 16 per cent of firms saw a rise in enquiries against the previous quarter. This follows a positive balance in the previous survey and points to a moderation in workload growth over the coming months. A balance of zero per cent of firms report enquiry levels were up on a year ago.

Employment levels rose slightly during the quarter. A balance of four per cent of firms had increased their direct headcount against the previous quarter and a balance of eleven per cent of firms grew their use of sub-contracted labour during the quarter.

Chart 1: Key Indicators



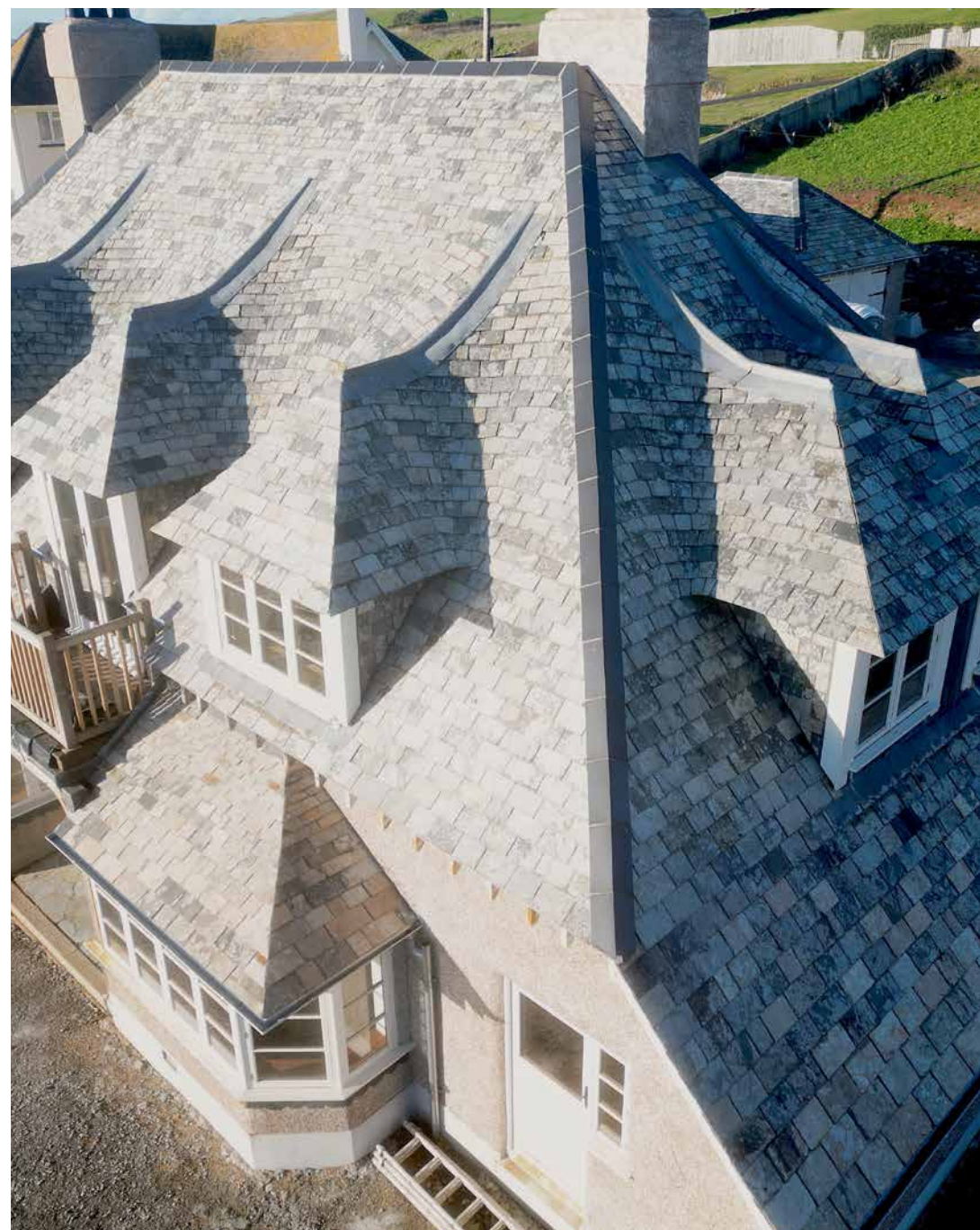
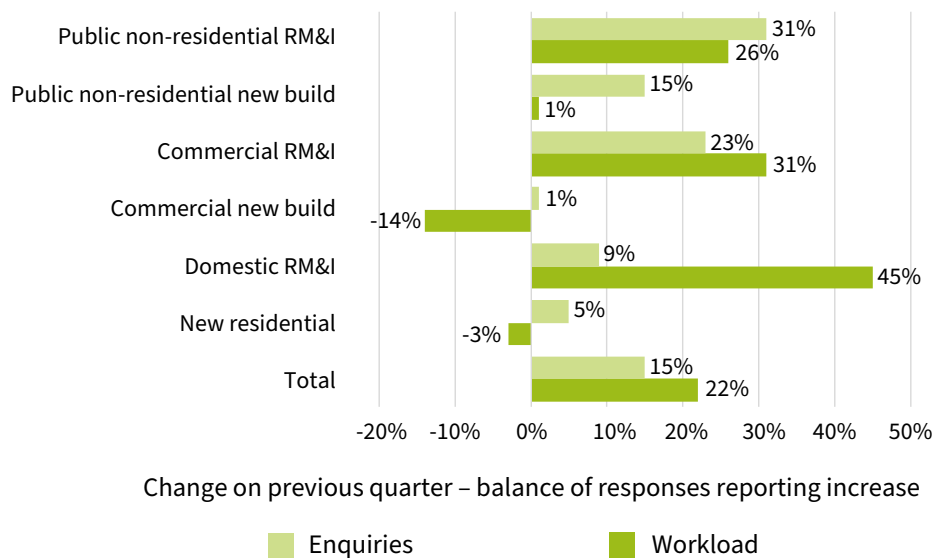
N.B. Balance of respondents refers to the percentage reporting an increase less the percentage reporting a decline

Workload and Enquiries by Sector

Workload continued to rise during the first quarter with a balance of 22 per cent of roofing contractors reporting that their overall workload was up on the fourth quarter of 2022. Roofing contractors reported a rise in workload across most sectors. Domestic and commercial RM&I were the fastest growing sectors, with a balance of 45 per cent and 31 per cent of firms operating in the sectors respectively increasing their workload. In contrast, activity in the new residential and commercial new build sectors cooled during the quarter with a balance of nine per cent and 14 per cent of firms respectively reporting a downfall in work against the previous quarter.

Enquiries point to a shift in workload over the coming months. A strong rise in public non-residential and commercial RM&I enquiries point to a further strengthening sector workload. In contrast, a balance of just one per cent and five per cent of contractors report an increase in commercial new build and new residential enquiries respectively.

Chart 2: Workload and Enquiries by Sector

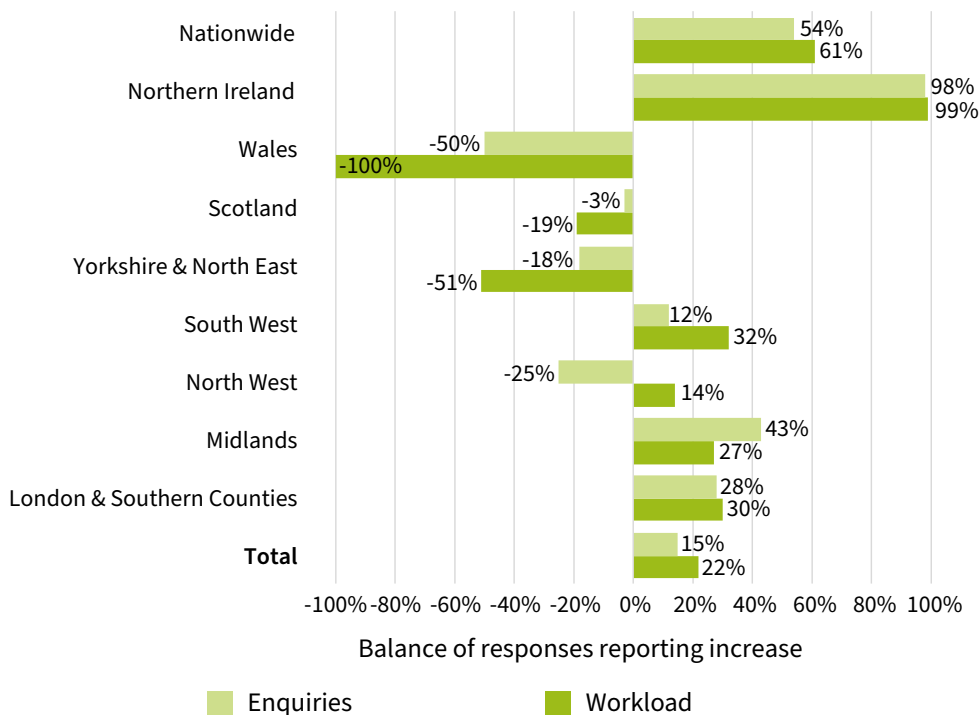


Workload and Enquiries by Region

Roofing contractors operating nationwide, as well as in Northern Ireland saw the strongest rise in workload during the first quarter, with a balance of over 60 per cent of nationwide contractors and most Northern Ireland firms reporting a rise in workload. In contrast, roofing contractors operating in Wales, Yorkshire & North East and Scotland saw a weakening in activity during the first quarter with a balance of 100 per cent, 51 per cent and 19 of firms respectively reporting declining workload.

New enquiries point to a divergence in regional workload growth over the coming months. Contractors with nationwide operations and those operating in Northern Ireland saw a widespread rise in new enquiries. A smaller balance of firms operating in the South West, London & Southern Counties, Midlands and Northwest also report an increase in new enquiries. In contrast a balance of three per cent, 18 per cent and 50 per cent of firms in Scotland, Yorkshire & North East and Wales respectively saw a decline in new enquiries.

Chart 3: Workload – Change on Previous Quarter



Employment and Skills Shortages

Despite a slight improvement, staff recruitment remains a challenge. 49 per cent of firms experienced greater difficulty recruiting suitable labour during the first quarter of 2023 compared to the previous quarter against nine per cent that saw an improvement in recruitment conditions. Despite this, a balance of four per cent of firms increased their direct headcount during the quarter and a balance of eleven per cent of firms grew their use of sub-contracted labour. All sectors saw a net increase in both staffing and sub-contracted labour, with public non-residential new build and public non-residential RM&I sectors seeing the sharpest growth in their direct labour force and use of sub-contracted labour.

Roof slater and tiler was the most frequently mentioned difficult to fill role with 45 per cent reporting recruitment problems. There were also widespread shortages reported of slaters, tilers, single-ply, built-up felt roofers and lead worker. Only nine per cent of firms experienced recruitment difficulties for all roles.

Chart 4: Labour Indicators

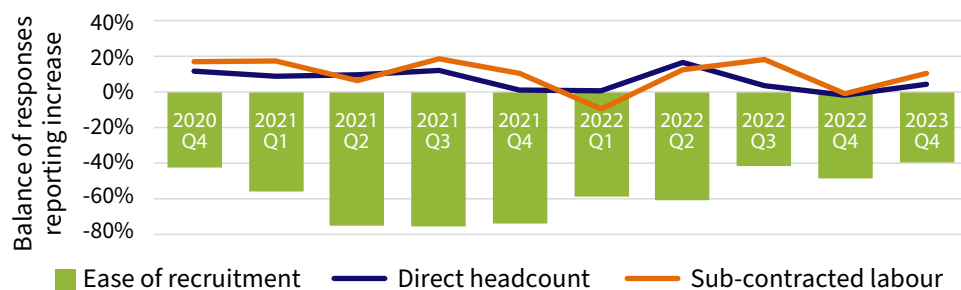
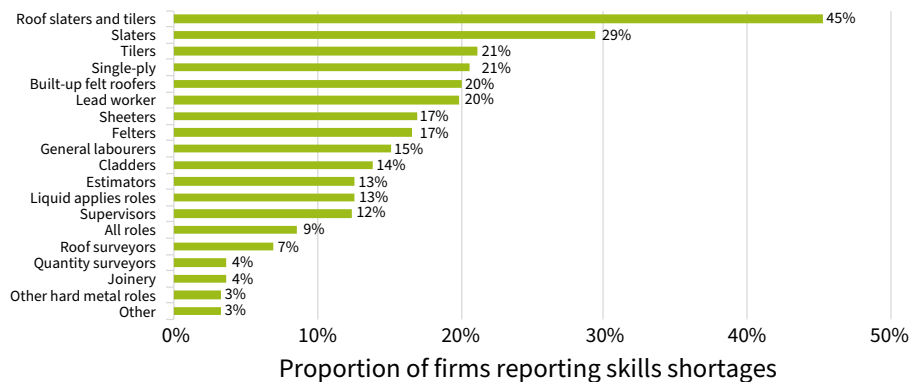


Chart 5: Areas of Skills Shortages



Costs, Prices and Materials Availability

Materials availability has improved, with a balance of seven per cent of firms reporting greater ease in securing materials during the quarter, an improvement on the three per cent balance of companies reporting increased difficulty in the fourth quarter of 2022. Eleven per cent of firms reported difficulty obtaining all types of materials. Shortages of slate, steel and clay roof tiles were most widespread, reported by 15 per cent of roofing contractors. Concrete roof tiles were also mentioned as being in short supply by nine per cent of respondents.

Material price inflation has strengthened. A balance of 70 per cent of firms report that their material costs rose during the first quarter of 2023, up from 64 per cent during the previous quarter. Labour costs have also risen, with a balance of 58 per cent of firms seeing wage costs rise during the first quarter. The increase in contractors' costs has feed through to tender prices, with a balance of 51 per cent of firms raising their prices during the quarter.

Chart 6: Cost Pressures

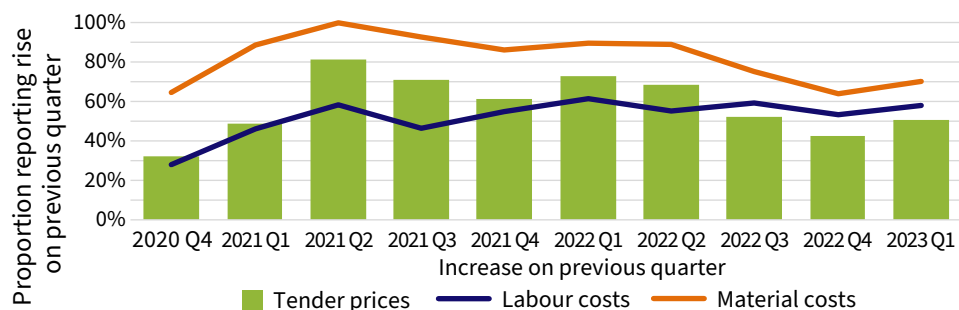
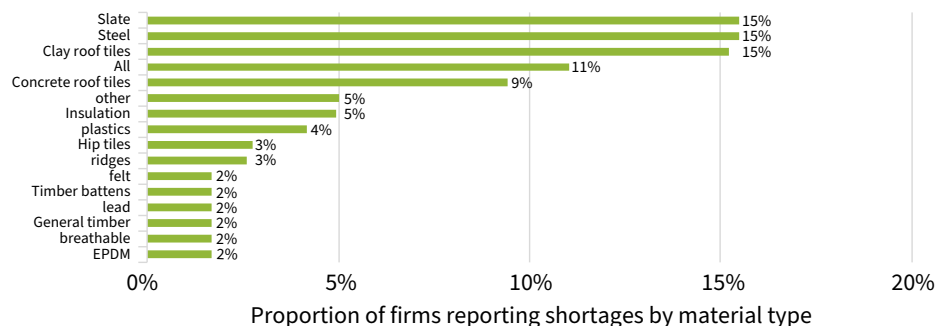


Chart 7: Material Shortages



Market Expectations

Roofing contractors expect workload to edge higher during the second quarter of 2023 and over the next 12 months. Public non-residential RM&I is expected to be the fastest growing sector with a balance of 30 per cent firms anticipating that their sector workload will increase during 2023. In addition, a balance of 23 per cent of firms operating in the public non-residential new build and commercial RM&I sectors expect workload to grow over the next twelve months. Workload expectations vary regionally. Firms operating in the South West and London & Southern Counties and those with nationwide operations expect the strongest growth in workloads this year. In contrast a balance of firms in the North West, Scotland and Yorkshire & North East anticipate a contraction in workload.

Chart 8: Market Expectations – 12 Months

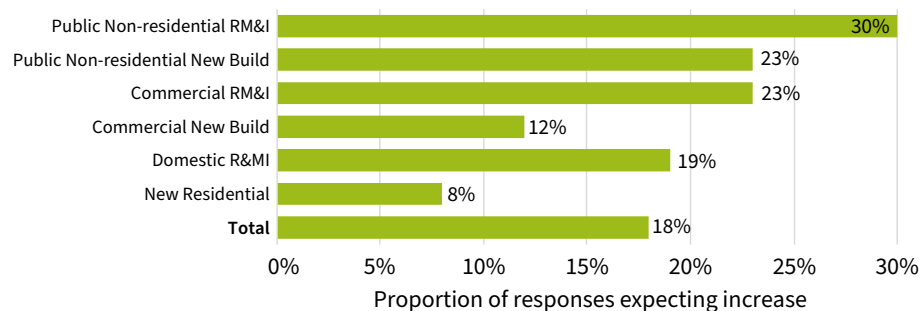
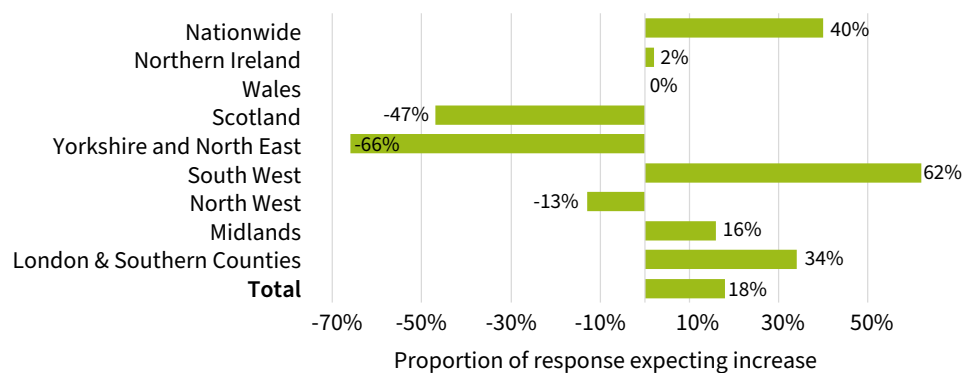


Chart 9: Market Expectations by Region – 12 Months



Payment Terms

Late payment of due accounts remains widespread. Over half of firms (58 per cent) reported that their contractual payment terms were 30 days or less, but only 33 per cent of firms were on average paid within that period. A similar picture was reported by firms with longer payment terms. Only ten per cent of firms had payment terms of 46 days or more, but 22 per cent of firms reported that was the average time that they had to wait for payment.

Chart 10: Payment Terms and Periods

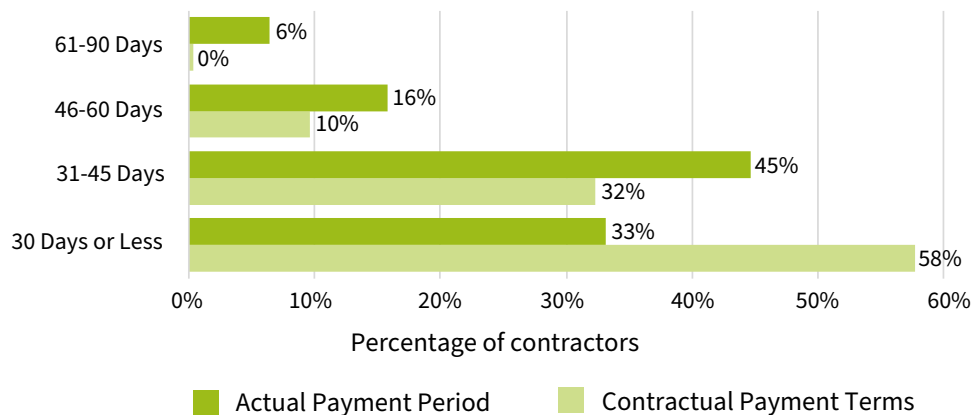
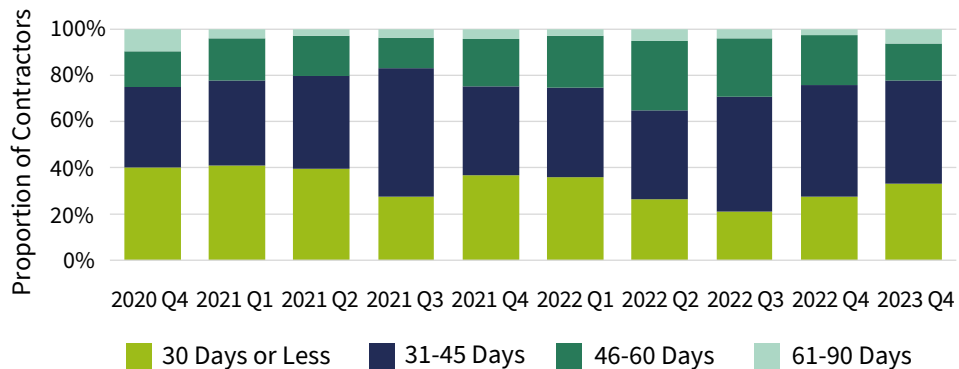


Chart 11: Actual Payment Period



Solar Panel Installation

A third of surveyed roofing contractors are including solar installation services as part of their business offering. 40 per cent of nationwide firms are providing solar installations services. At 52 per cent, Nationwide firms providing solar installation services were equally likely to carry installations to domestic and commercial/ industrial buildings. In contrast 83 per cent regional firms providing solar installations did so for domestic properties and only 47% did so for commercial/ industrial buildings.

Only 22 per cent of firms offering solar installations services reported that the implementation of zero VAT installations had created more business for their services. This compares with 36 per cent felt that it had had no impact on their sales. However, 43 per cent of installing firms were unaware of the VAT change, suggesting that greater government promotion of the VAT change could help to boost demand for solar installations.

Chart 12: Solar Panel Installation by Region

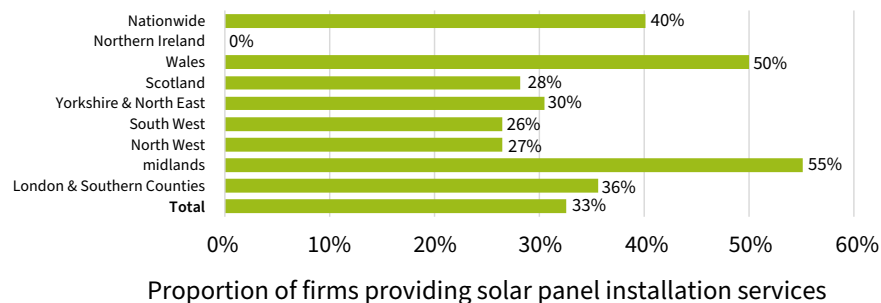
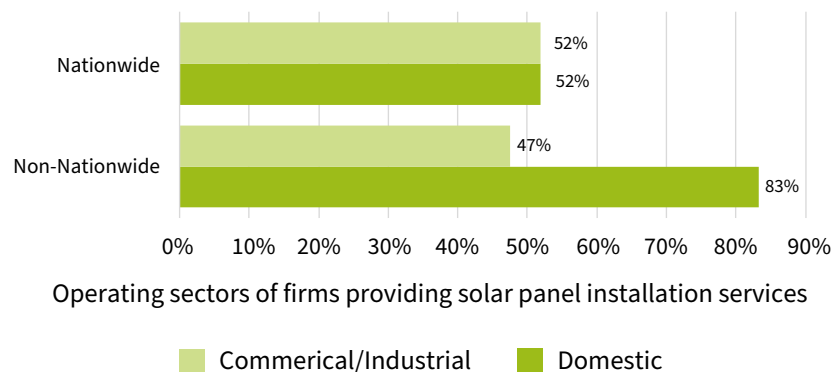


Chart 13: Solar Panel Installation by Sector





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

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