

Prepared by Glenigan, on
behalf of NFRC



State of the UK Roofing Industry

Q3 2023

November 2023



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 September 2023. The survey of NFRC members was conducted between 6 October 2023 and 6 November 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



The third quarter of 2023 saw workloads continue to climb, yet roofing contractors' confidence began to waver surrounding future pipelines of work. 40 per cent of contractors said that they'd had more work in Q3 than in Q2 compared to only 16 per cent reporting having less. Enquiry rates appeared somewhat less positive, with 29 per cent reporting a fall versus 25 per cent reporting an increase compared to Q2. Market expectations in the short term were positive than those for 2024: 27 per cent expected an improved landscape in Q4 whilst 18 per cent thought things would worsen, whilst looking to a year from now, the 33 per cent expecting the market to improve were almost matched by 32 per cent expecting decline. The RMI sector overall appears to be more encouraging for contractors than new build.

Labour and skills

Firms reported growing their workforces in Q3. This was most significantly done by direct employment, with 28 per cent of firms taking on more employees versus 12 per cent scaling back. Slightly more firms took on more sub-contracted individuals than cut back on them (19 per cent versus 17 per cent). This was reflected in increased costs, with 71 per cent of firms saying that compared to last year they were paying more for labour.

However, contractors continued to face challenges when trying to recruit people with the right skills. 27 per cent of firms said they had found it difficult to employ slaters and tilers, while 16 per cent said they had struggled with cladders. 14 per cent said general labourers had been hard to come by.

Materials

Material costs have continued to rise, and this was reflected in increased tender prices, with 64 per cent of firms charging more for jobs versus only 8 per cent charging less than last year. However, contractors reported that availability of materials was continuing to improve. The only shortages reported by over 10 per cent of respondents were slate (12 per cent), steel (12 per cent) and insulation (11 per cent), with the data suggesting that the once-prominent shortages of timber battens have now been remedied for the vast majority of companies.

Contracts and payments

As always seen in this survey, clients frequently failed to pay roofing contractors on time. In Q3, only 25 per cent of respondents reported usually being paid in 30 days or less, despite this being in the payment terms of over half (51 per cent) of firms.

This quarter, the State of the Roofing Industry survey also asked contractors about their experiences with cash retentions, specifically when working for local authorities, to support other data collection being undertaken to support NFRC's campaign to stop the abuse of this practice. 76 per cent of respondents who took on local authority projects said that they always, usually, or sometimes had retentions held on them when undertaking those works. Of that group, 86 per cent said they always, usually or sometimes had trouble obtaining the retention monies they were owed.

Meeting challenges head on

This survey helps us to gather an even better understanding of where roofing contractors are facing challenges, and what they expect to face in the coming months. With this knowledge, NFRC will continue to support the needs of the roofing industry, including by offering expert guidance on recruiting new operatives and staff, continuing to campaign on cash retentions, and feeding back to government on what roofing and cladding businesses need in order to thrive.

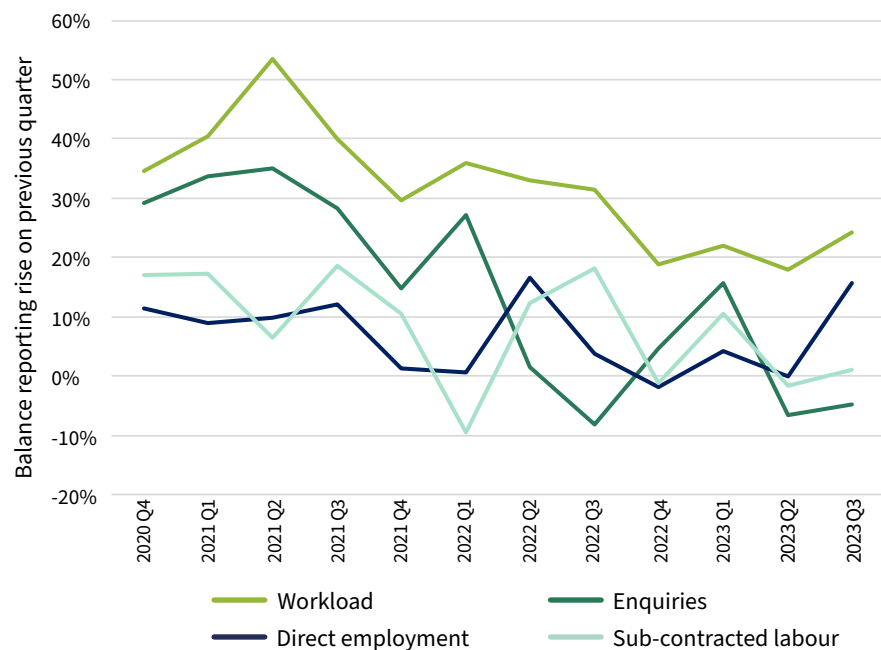
Key Indicators

Overall roofing contractors' workload grew during the third quarter of 2023. 40 per cent of firms saw a rise in workload on the previous quarter against 16 per cent reporting a decline. Workload was also higher than a year ago, with 37 per cent of firms reporting an increase against 23 per cent seeing a decline.

Enquiries continued to decline slightly during the third quarter with 29 per cent of firms reporting a fall against 25 per cent reporting an increase, a balance of four per cent of firms. This points to a potential softening in workload over the coming months. Enquiries were also down on a year ago with 27 per cent of firms reporting a fall against 23 per cent seeing an increase.

Employment levels rose during the quarter, with 28 per cent of firms increasing their direct headcount against the previous quarter compared to twelve per cent reporting a decline. Use of sub-contracted labour was little changed with 17 per cent of firms using less and 19 per cent increasing 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 has continued to rise with 24 per cent of roofing contractors reporting that their overall workload was up on the second quarter of 2023 compared to 16 per cent reporting a decline. Roofing contractors reported a rise in workload across all sectors. Domestic RM&I was the fastest growing sector, with 42 per cent of firms operating in the sector increasing their workload, while 19 per cent reported a decline. In contrast, growth was weakest in the new residential sector during the quarter: 32 per cent of firms experienced an increase but 22 per cent reported workload was down on the previous quarter.

Enquiries point to a softening in workload over the coming months. Public non-residential enquiries were particularly weak with 31 per cent of companies seeing a decline in enquiries and only eight per cent reporting growth. New residential enquiries were also sharply down on the previous quarter. In contrast, Domestic RM&I enquiries strengthened with 34 per cent of firms reporting an increase against 15 per cent experiencing a decline on the previous quarter.



Chart 2: Workload by Sector

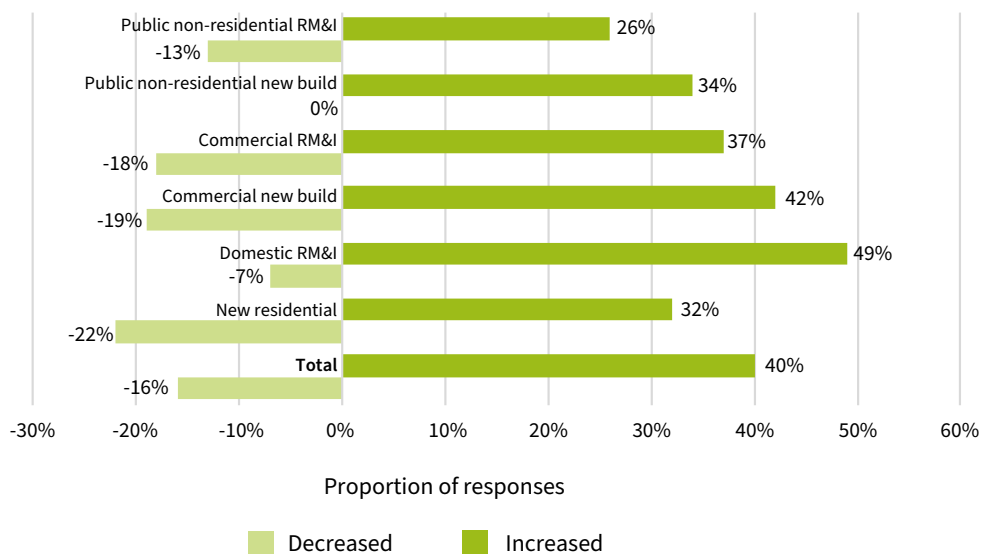
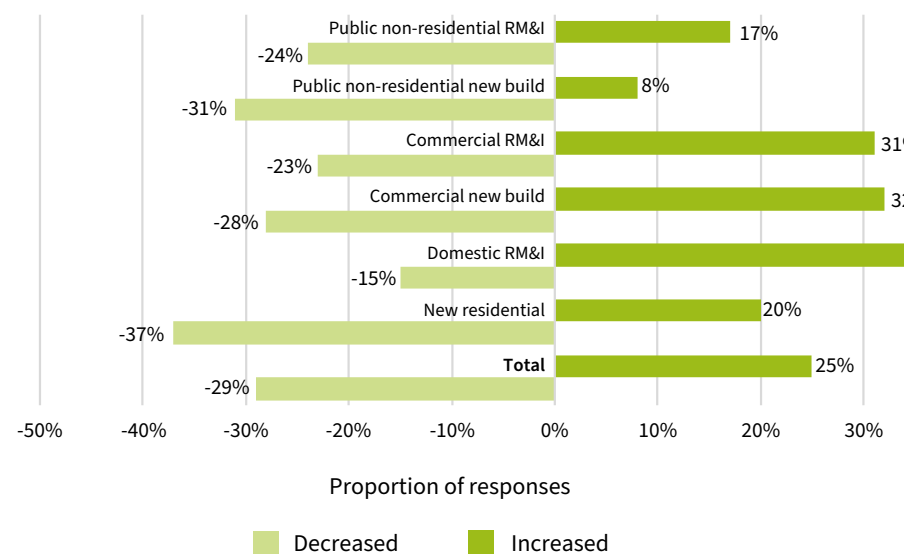


Chart 3: Enquiries by Sector



Workload and Enquiries by Region

Roofing contractors in London & Southern Counties saw the strongest rise in workload during the third quarter, with 53 per cent of contractors reporting a rise in workload and no firms reporting a decline. In contrast, roofing contractors operating in Scotland saw a weakening in activity during the period with 49 per cent of firms reporting declining workload and no firms reporting a rise.

New enquiries point to a further divergence in regional workload growth over the coming months. Contractors with operations in the South West experienced the strongest new enquiries; 31 per cent of roofing contractors operating in the region reported a rise in enquiries with only seven per cent reporting a fall. Contractors in London and Southern Counties and the Midlands also saw an overall rise in new enquiries. In contrast, 56 per cent of companies in the Wales reported a fall in enquiries, with only 15 per cent of firms experiencing a rise.



Chart 4: Workload – Change on Previous Quarter

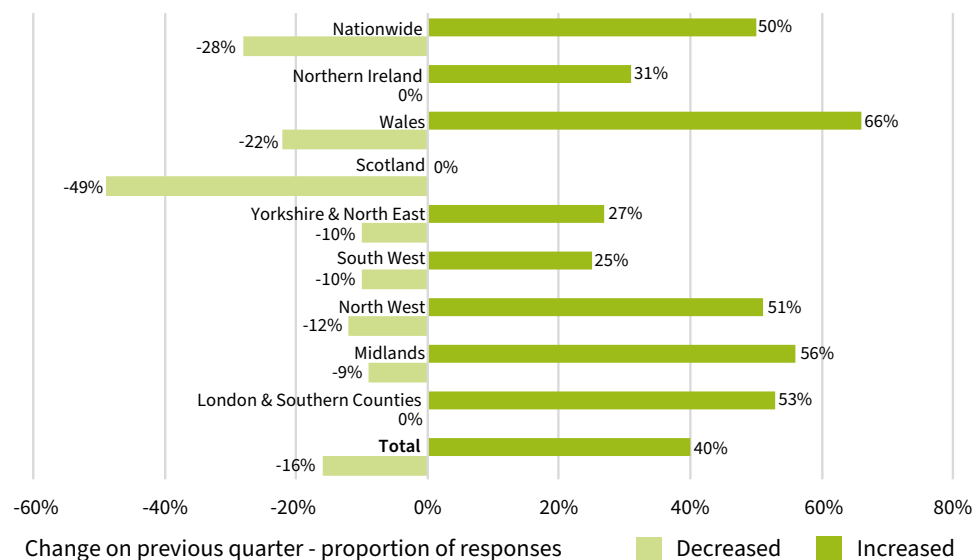
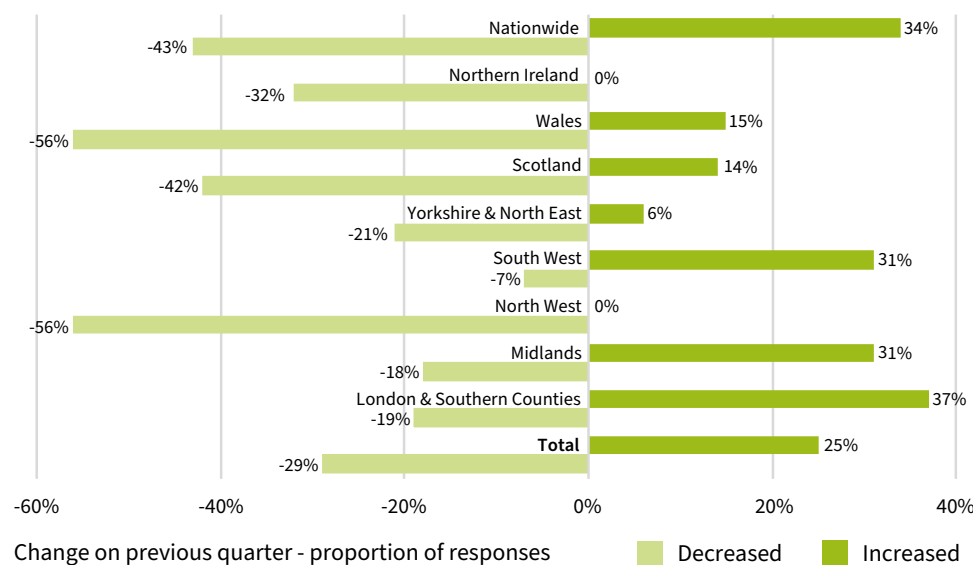


Chart 5: Enquiries – Change on Previous Quarter



Employment and Skills Shortages

Staff recruitment remains difficult. 48 per cent of firms experienced greater difficulty recruiting suitable labour during the third quarter compared to the previous quarter, against four per cent seeing an improvement in recruitment conditions. Employment levels rose during the quarter, with 28 per cent of firms increasing their direct headcount against the previous quarter, compared to twelve per cent reporting a decline. Recruitment was strongest by firms operating in the new residential and public non-residential new build sectors.

Overall use of sub-contracted labour was little changed with 17 per cent of firms using less and 19 per cent increasing their use of sub-contracted labour during the quarter. Roof slater and tiler was the most frequently mentioned difficult-to-fill role with 27 per cent reporting recruitment problems. There were also widespread shortages reported of slaters, tilers, cladders, and lead workers. 16 per cent of firms experienced recruitment difficulties for all roles.

Chart 6: Labour Indicators

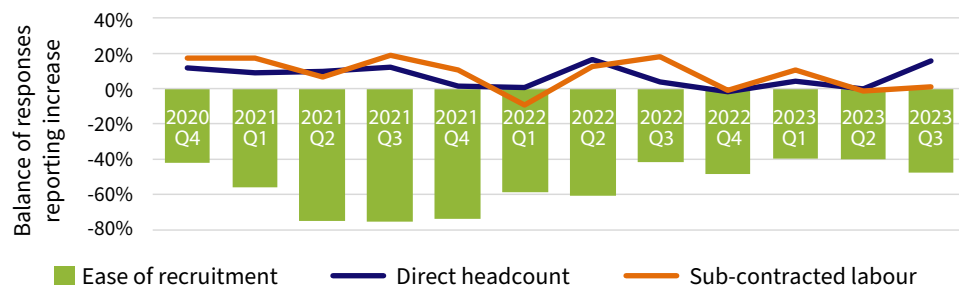
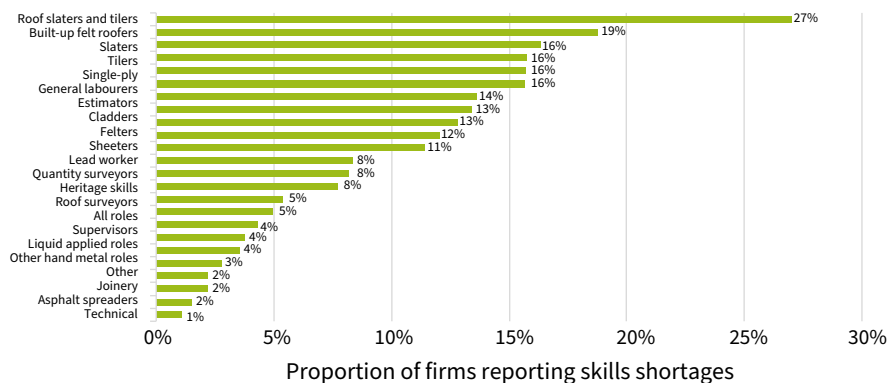


Chart 7: Areas of Skills Shortages



Costs, Prices and Materials Availability

Materials availability has continued to improve, with 32 per cent of firms reporting greater ease in securing materials during the quarter and just eight per cent of firms experiencing greater difficulty. Shortages of slates and steel were most widespread, reported by twelve per cent of roofing contractors. Insulation was also mentioned as being in short supply by eleven per cent of respondents. Just four per cent of firms reported difficulty obtaining all types of materials.

Material price inflation has eased significantly compared with the start of the year, but 37 per cent of firms still reported higher material costs during the third quarter of 2023 against eight per cent reporting a decline. The rise in labour costs has also eased slightly with fewer firms reporting a rise in costs than during the previous quarter. 48 per cent of firms saw wage costs rise during the third quarter while one per cent reported a decline. 38% of contractors reported a rise in their tender prices during the third quarter and eight per cent saw a fall. Higher tender prices were most widespread in the domestic RM&I sector.

Chart 8: Cost Pressures

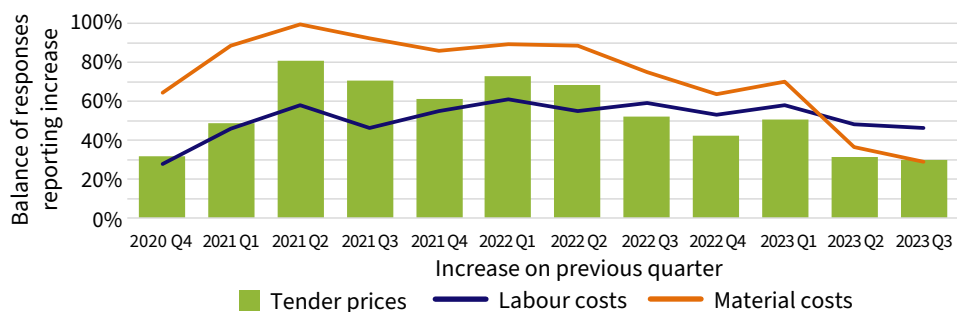
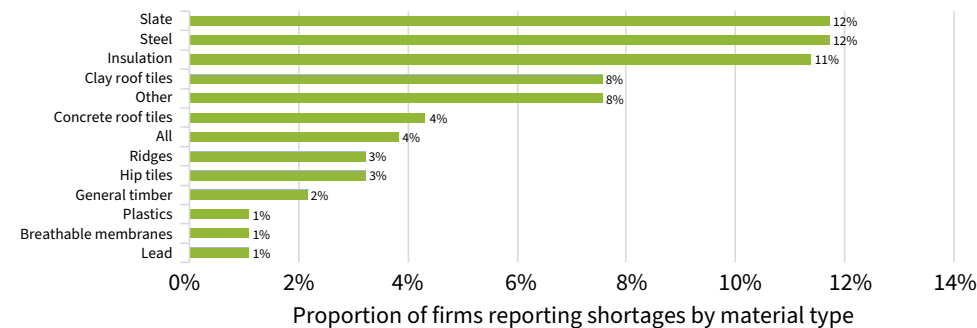


Chart 9: Material Shortages



Market Expectations

A small majority of roofing contractors expect workload to increase during the fourth quarter, but little growth is anticipated over the next 12 months; 32 per cent of firms expect their workload to decrease over the coming year, while 33 per cent expect an increase. Commercial RM&I is expected to be the fastest growing sector with 39 per cent of firms anticipating that their workload will increase against 22 per cent predicting a decrease. In addition, 36 per cent of firms operating in the domestic RM&I sector expect workload to grow over the next twelve months against 26 per cent anticipating a decline. Public non-residential new build is expected to be the weakest sector over the next twelve months. Workload expectations vary regionally. Firms operating in London & Southern Counties, Midlands and Wales were the most positive about workload over the next twelve months. Firms operating in the North West, South West and Scotland had widespread expectations of a decline in their workload.

Chart 10: Market Expectations – 12 Months

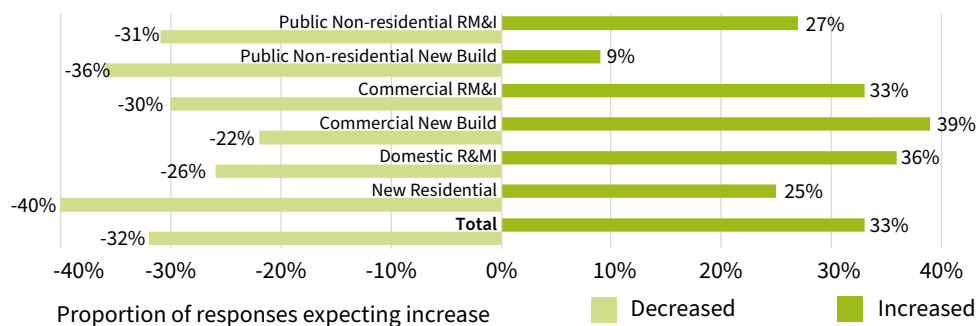
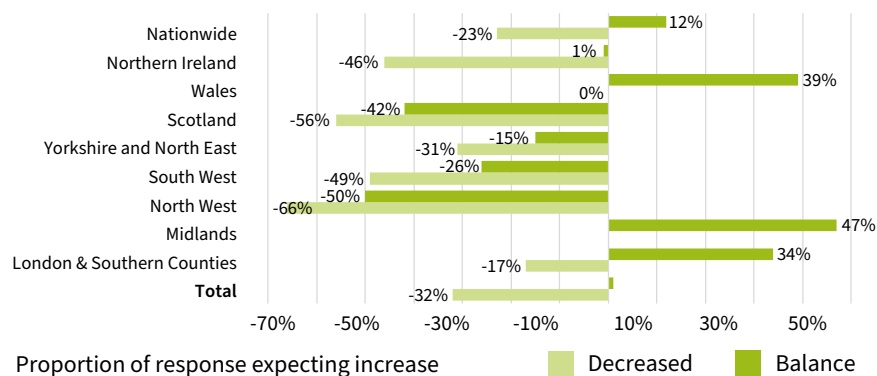


Chart 11: Market Expectations by Region – 12 Months



Payment Terms

Late payment of due accounts remains widespread. Over half of firms (51 per cent) reported that their contractual payment terms were 30 days or less, but only 25 per cent of firms were, on average, paid within that period. A similar picture was reported by firms with longer payment terms. Only eleven per cent of firms had payment terms of 46 days or more, but 27 per cent of firms reported that was the average time that they had to wait for payment.

Chart 12: Payment Terms and Periods

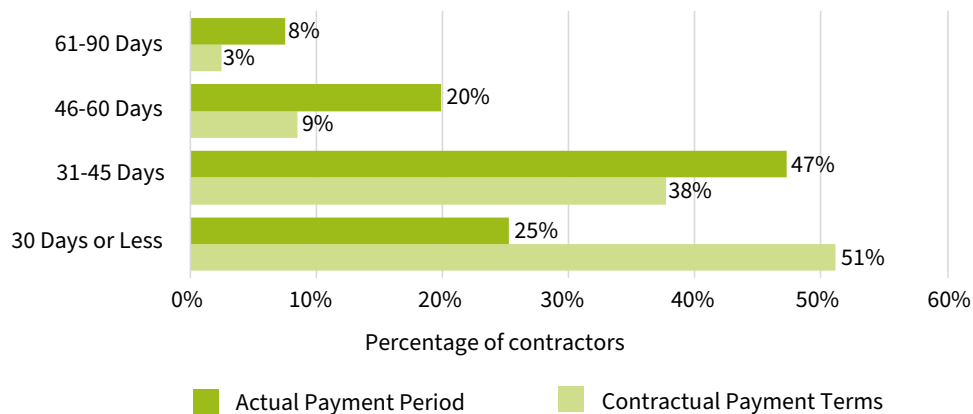
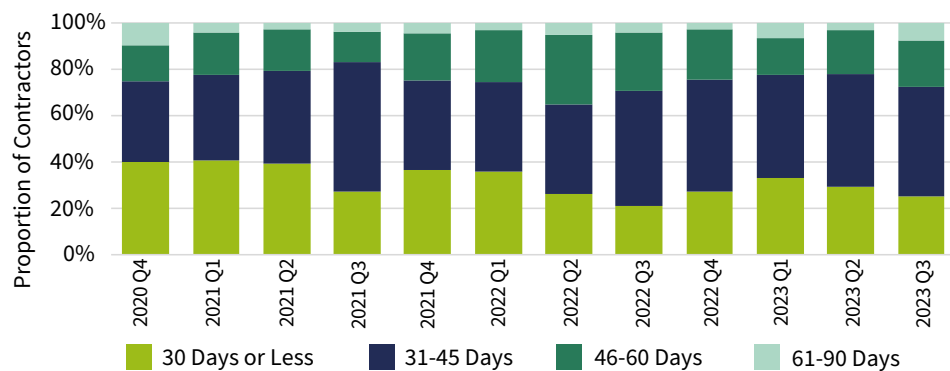


Chart 13: Actual Payment Period



Local Authority Clients

Over half (51 per cent) of roofing contractors reported that they had experience of working on local authority projects. 76% of these firms reported they had had retentions imposed on their work for these projects, with 23% of firms reporting that their work on such projects was always subject to retentions. Firms also reported widespread difficulty in retrieving retention monies on local authority projects, with 17% of firms reporting that it was always difficult and 33% reporting that there were usually difficulties.

Chart 14: Frequency of retentions on local authority projects

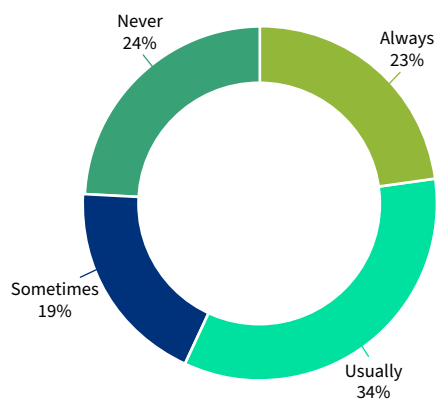
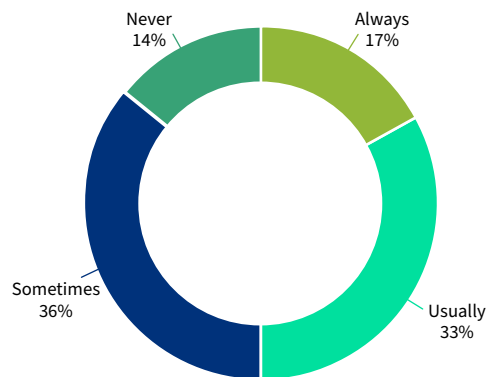


Chart 15: How often do you have difficulty retrieving retention monies on local authority projects when it is time for them to be released





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