Glenigan 50 CELEBRATING 50 YEARS

State of the UK Roofing Industry
Q2 2023

August 2023

Prepared by Glenigan, on behalf of NFRC

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 CELEBRATING 50 YEARS

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 June 2023. The survey of NFRC members was conducted between 21 June 2023 and 21 July 2023. 136 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

Concerns in some sectors about near-term pipelines of work reflected a slight fall in enquiry rates in the second quarter of 2023, according to the latest State of the Roofing Industry survey. Overall, workloads continued to grow, with 38 per cent of firms reporting an increase in workloads versus 20 per cent reporting a decline.

22 per cent reported increased enquiries, against 29 per cent seeing enquiries decline. Whilst increased workloads were reported in residential new build work, enquiries fell in that sector. Commercial repair, maintenance and improvement work stood out as the strongest sector in terms of a future pipeline of work, with 28 per cent of firms noting rising enquiries versus 18 per cent reporting a fall.

Employment levels plateaued in Q2, with as many firms reporting an increase as a fall. Use of sub-contracted labour also remained very similar to Q1 levels. Increased difficulty with recruitment was reported by 46 per cent of firms (versus only six per cent finding it easier). Roof slaters and tilers were in shortest supply (32 per cent reporting a shortage), with 26 per cent saying the same with regards to built-up felt roofers. 15 per cent said they had struggled to recruit general labourers.

Labour costs nevertheless increased for the majority of firms, exacerbating existing cost pressures. Material price inflation also persisted: whilst its rate has eased significantly, 45 per cent of firms still saw overall increases in the prices they paid, versus only 8 per cent reporting paying less.

Late payment also continued to blight roofing contractors. Whilst 58 per cent of firms had standard payment terms of 30 days or less, only 33 per cent reported that they were usually paid within that timescale. 76 per cent of firms also reported being subject to cash retentions—this was most prevalent among firms which undertook new residential work (90 per cent). The average level of retention held on projects across all sectors was 4.3 per cent.

Contractors had mixed expectations regarding pipelines of work. Despite the majority foreseeing increased workload in Q3 of this year, 39 per cent of firms expect workloads to fall over the next twelve months (versus 29 per cent who expect an increase). Those in the new residential sector were the least optimistic about the year to come, reflecting uncertainty in housebuilding. By region, contractors in Yorkshire and the North East and in Scotland were most reserved in their expectations for the same timescale.

Ultimately, the results of the survey reflect current uncertainties around pipelines of work in specific sectors, and the number of opportunities that do materialise will reflect government priorities in the coming months. We will continue to advocate for the needs of roofing and cladding contractors to government, and welcome Members' input on our advocacy priorities. NFRC will also, as ever, offer practical support to Members facing challenges, from set additions to your marketing materials, to HR and counselling helplines, to recruitment support.

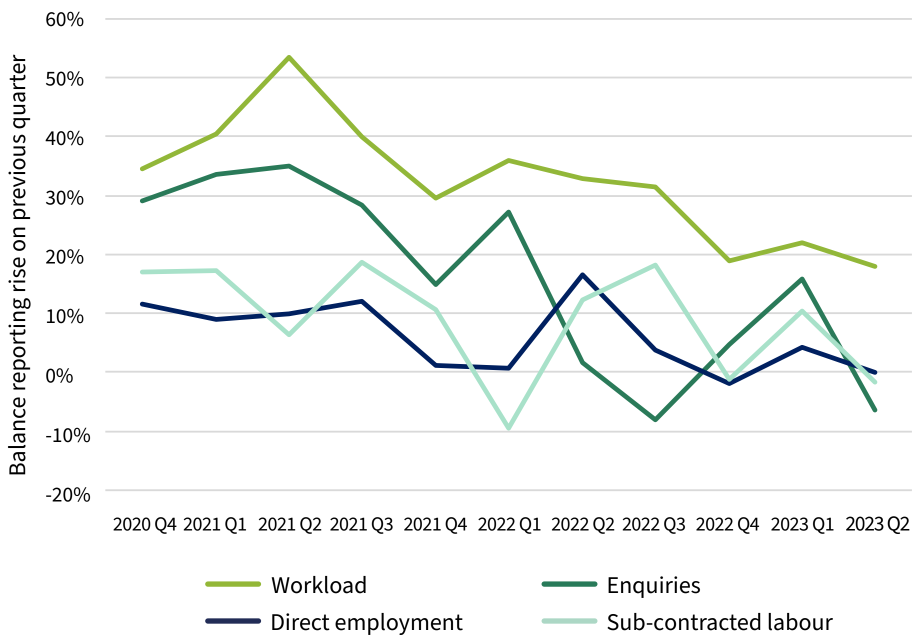
Key Indicators

Roofing contractors' workload grew during the second quarter of 2023. 38 per cent of firms saw a rise in workload on the previous quarter against 20 per cent reporting a decline. Workload was also higher than a year ago, with 46 per cent of firms reporting an increase against 22 per cent seeing a decline.

Enquiries declined slightly with 29 per cent of firms reporting a fall against 22 per cent reporting an increase, a balance of six per cent of firms. This follows a small increase in the previous survey and points to a potential softening in workload over the coming months. Enquiries were also down on a year ago with 28 per cent of firms reporting a fall against 24 per cent seeing an increase.

Employment levels remained flat during the quarter. At 15 per cent, the proportion of firms that had increased their direct headcount against the previous quarter was equal to the percentage of firms reporting a decline. Use of sub-contracted labour was also little changed with 24 per cent of firms using less and 23 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 the proportion of roofing contractors reporting that their overall workload was up on the first quarter of 2023, 18 per cent higher than those reporting a decline. Roofing contractors reported a rise in workload across most sectors. New residential was the fastest growing sector, with 40 per cent of firms operating in the sector increasing their workload, while 16 per cent reported a decline. In contrast, the commercial new build sector cooled during the quarter: 34 per cent of firms experienced a decrease in workload, while only 15 per cent reported workload was up on the previous quarter.

Enquiries point to a negative shift in workload over the coming months. New residential enquiries were particularly weak with 31 per cent of companies seeing a decline in enquiries and only 23 per cent reporting growth. In contrast, commercial RM&I enquiries bucked the trend as 28 per cent of firms reported an increase while 18 per cent experienced a decline on the previous quarter, pointing to a further strengthening in sector workload.

Chart 2: Workload by Sector

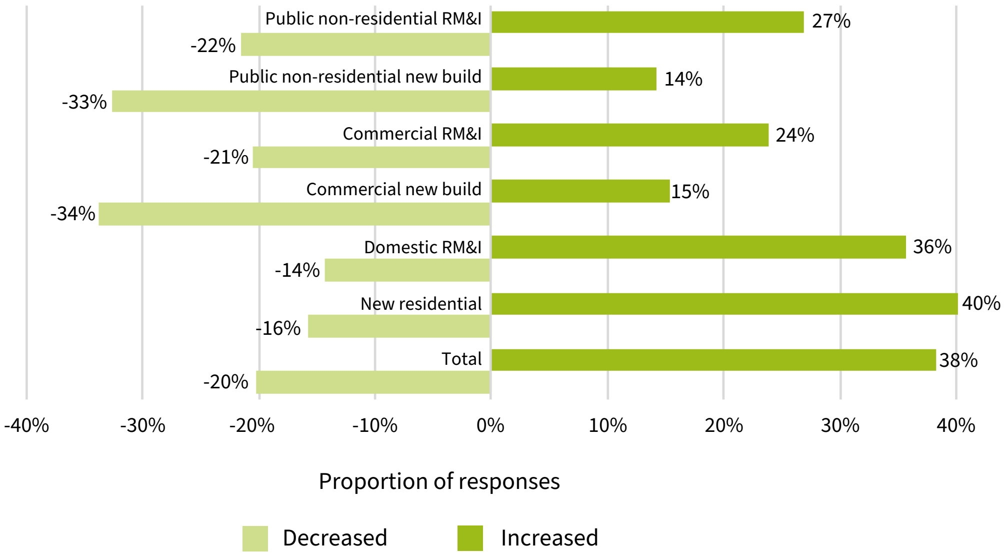
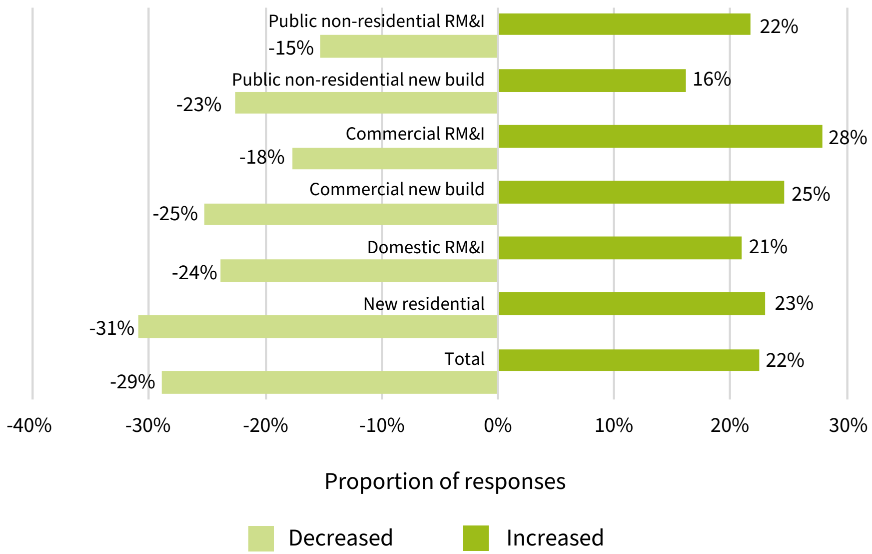


Chart 3: Enquiries by Sector



Workload and Enquiries by Region

Roofing contractors in Wales saw the strongest rise in workload during the second quarter, with all contractors reporting a rise. In contrast, roofing contractors operating in the North West saw a weakening in activity during the period with 39 per cent of firms reporting declining workload against 20 per cent of firms reporting a rise.

New enquiries point to a divergence in regional workload growth over the coming months. Contractors with operations in Wales saw a widespread slump in new enquiries; 90 per cent of roofing contractors operating in the region reported a decrease in enquiries with only 10 per cent reporting growth. Scotland did not fare much better, with 54 per cent of firms reporting a decline and just two per cent of roofing contractors experiencing more enquiries than during the first quarter. In contrast, 20 per cent of companies in the North West reported growth in enquiries, with no firms experiencing a decline.

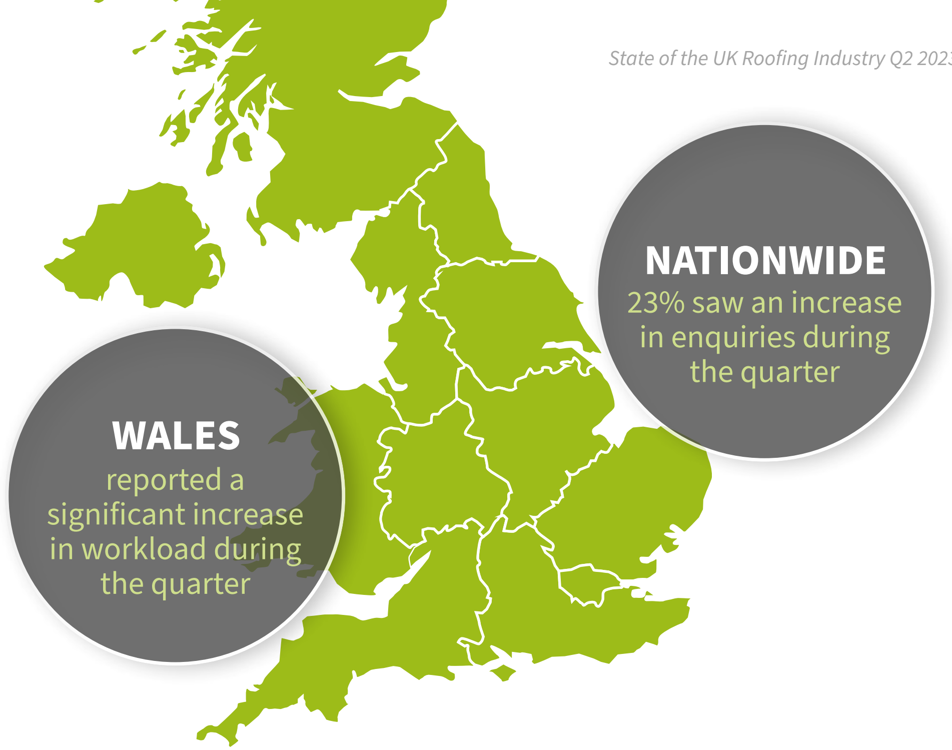


Chart 4: Workload – Change on Previous Quarter

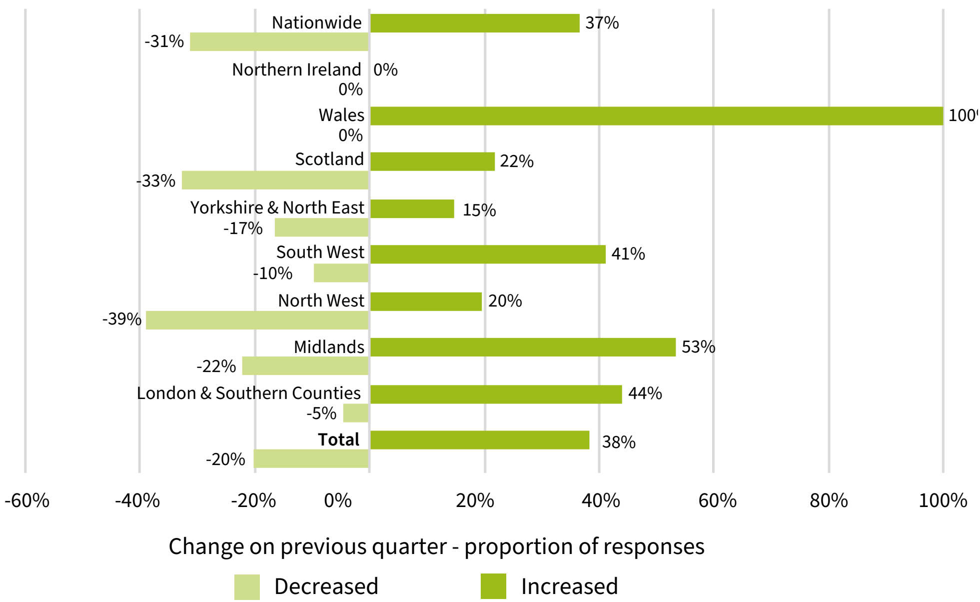
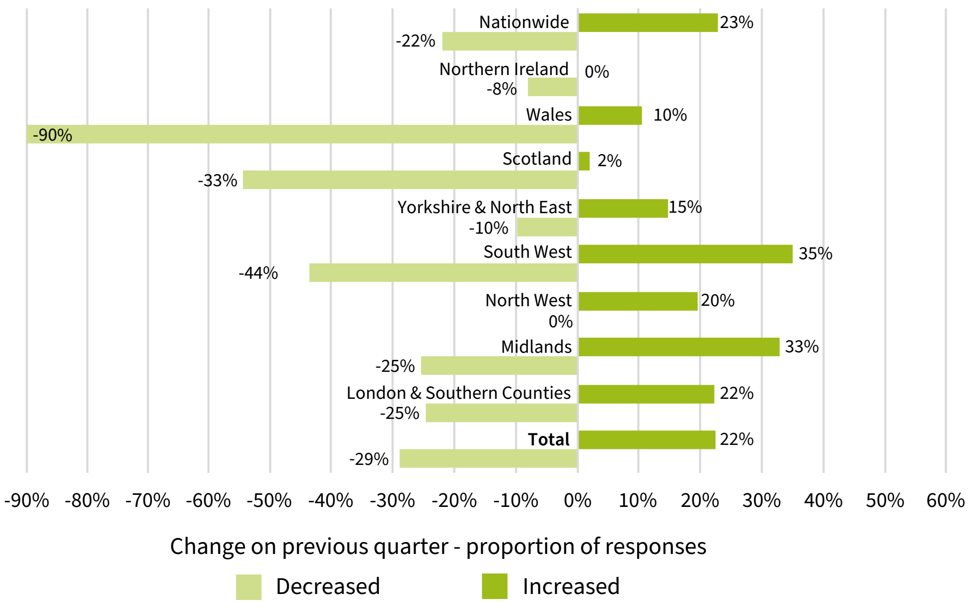


Chart 5: Enquiries – Change on Previous Quarter



Employment and Skills Shortages

Staff recruitment remains difficult. 46 per cent of firms experienced greater difficulty recruiting suitable labour during the second quarter compared to the previous quarter, against six per cent seeing an improvement in recruitment conditions. At 15 per cent, the proportion of firms reporting an increase in their direct headcount was the same as the percentage of contractors experiencing a reduction during the quarter. Most sectors saw a net increase in both staffing and sub-contracted labour, with the public non-residential RM&I sector seeing the sharpest growth in direct labour and the use of sub-contracted labour. Direct labour and sub-contracted labour levels weakened in the commercial and public non-residential new build sectors.

Roof slater and tiler was the most frequently mentioned difficult-to-fill role with 32 per cent reporting recruitment problems. There were also widespread shortages reported of built-up felt roofers, slaters, tilers, single-ply, and general labourers and estimators. Only nine per cent of firms experienced recruitment difficulties for all roles.

Chart 6: Labour Indicators

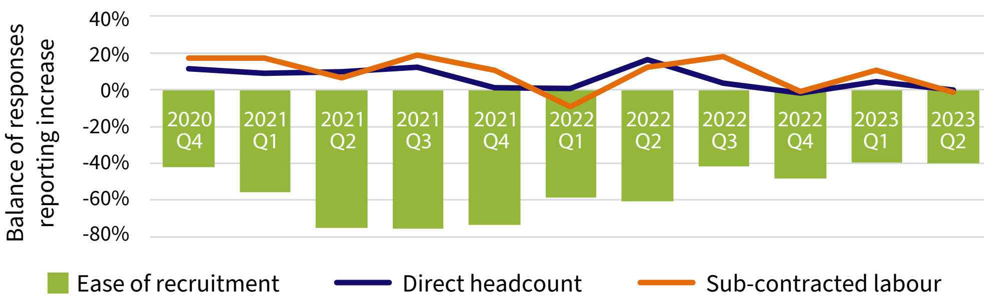
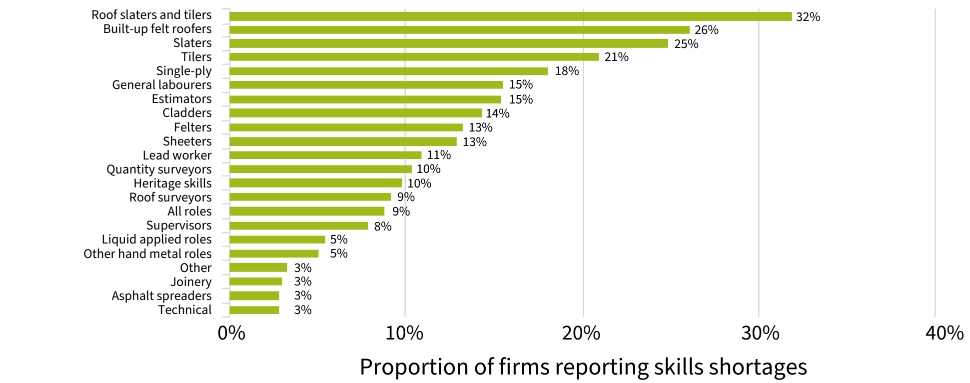
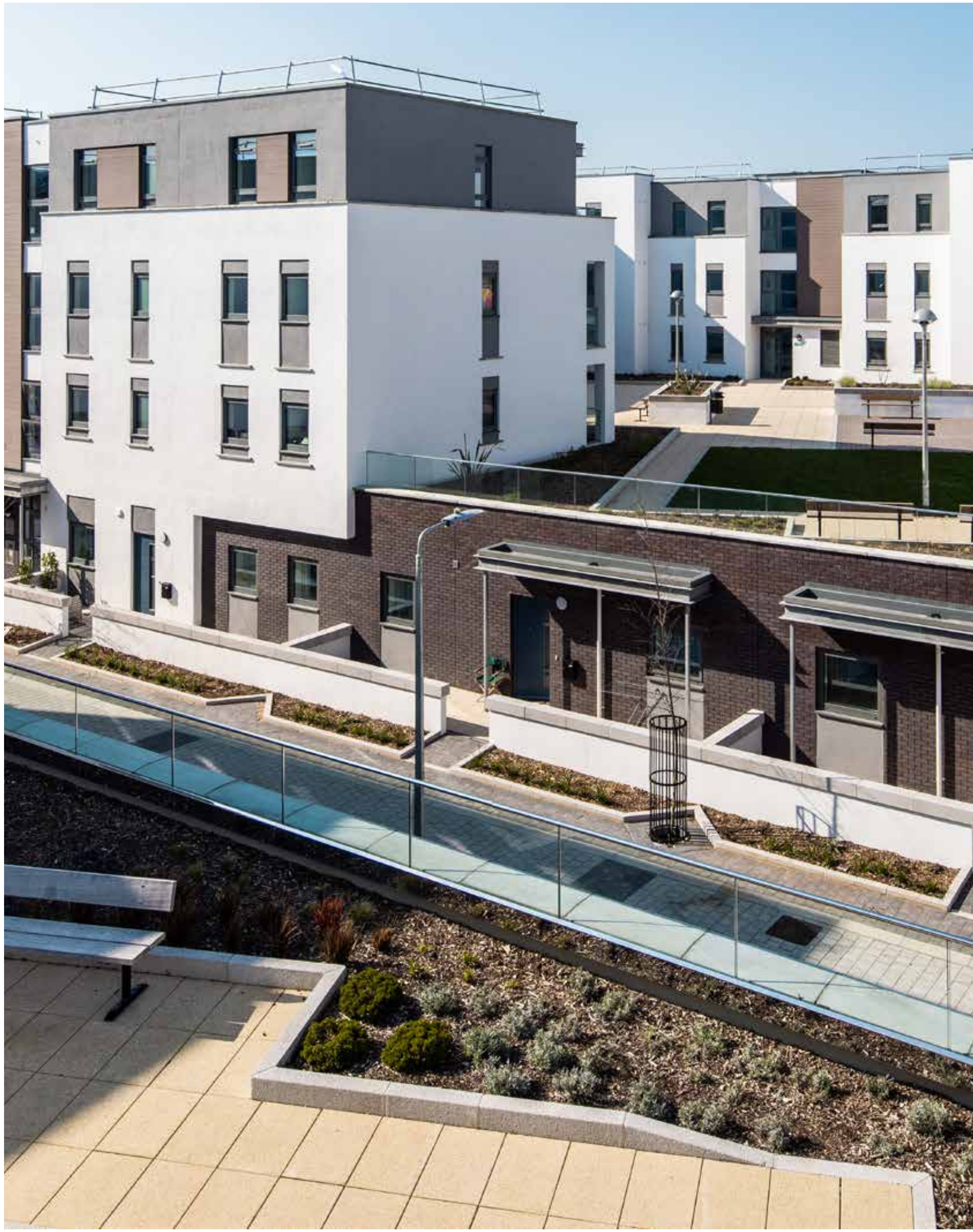


Chart 7: Areas of Skills Shortages





Costs, Prices and Materials Availability

Materials availability has improved again, with 23 per cent of firms reporting greater ease in securing materials during the quarter, as opposed to just seven per cent of firms experiencing greater difficulty. Shortages of insulation were most widespread, reported by 17 per cent of roofing contractors. Slate, steel, and clay roof tiles were also mentioned as being in short supply by ten per cent of respondents. Just two per cent of firms reported difficulty obtaining all types of materials.

Material price inflation has eased significantly, but 45 per cent of firms still saw material costs rise during the second quarter of 2023, against 8 per cent reporting a decline. The rise in labour costs has also eased with fewer firms reporting a rise in costs than during the previous quarter. 54 per cent of firms saw wage costs rise during the second quarter while 6 per cent reported a decline. The slowing in contractors' cost rises has fed through to tender prices; 42 per cent reported raising their prices during the quarter and 10 per cent saw a fall in tender prices.

Chart 8: Cost Pressures

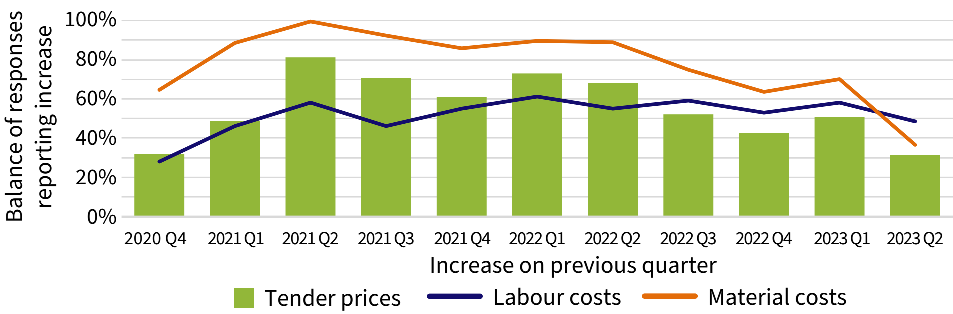
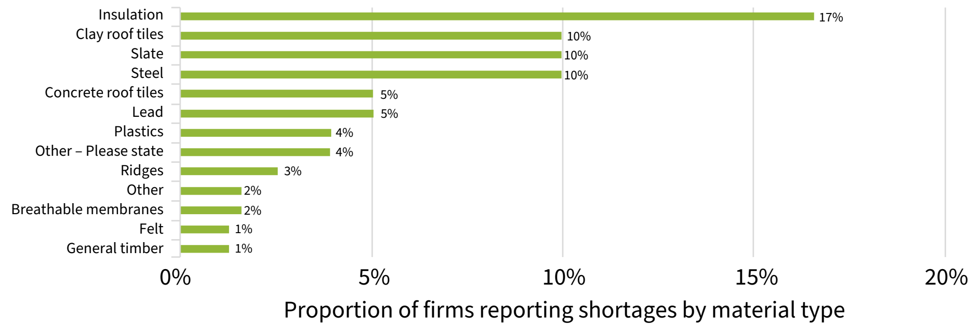


Chart 9: Material Shortages



Market Expectations

The majority of roofing contractors expect workload to increase during the third quarter, but to weaken over the next 12 months; 39 per cent of firms expect the workload to decrease over the coming year, while 29 per cent expect an increase. Public non-residential RM&I is expected to be the fastest growing sector with 31 per cent of firms anticipating that their sector workload will increase during 2023, against 18 per cent predicting a decrease. In addition, 33 per cent of firms operating in the domestic RM&I sector expect workload to grow over the next twelve months against 22 per cent anticipating a decline. Workload expectations vary regionally. All firms operating in Northern Ireland expect a contraction in workload over the coming twelve months. In contrast, 35 per cent of companies in Yorkshire and the North East anticipate an increase in workload, with only two per cent expecting a decline.

Chart 10: Market Expectations – 12 Months

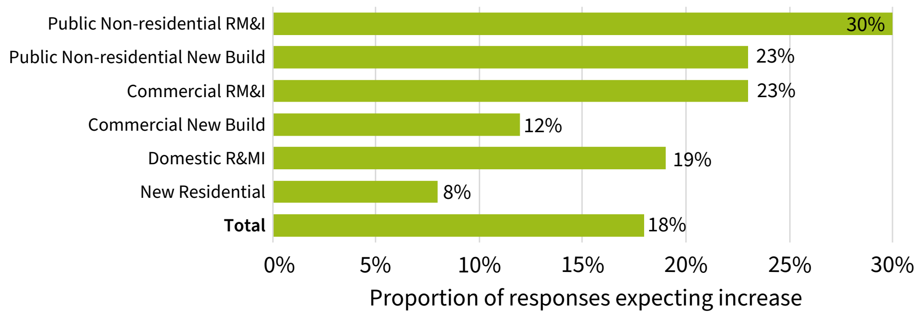
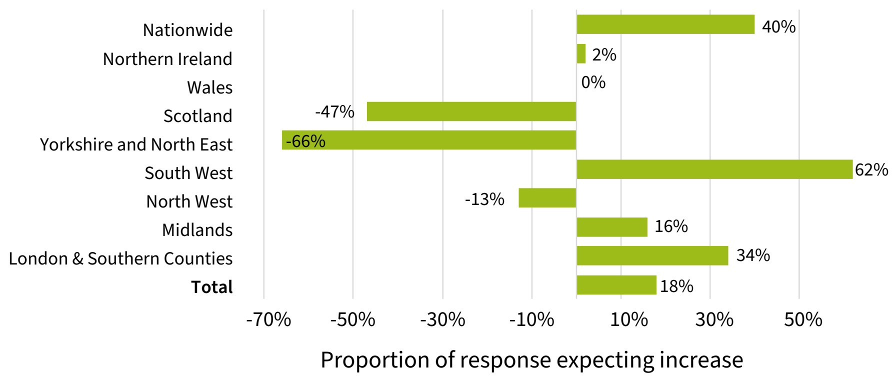


Chart 11: Market Expectations by Region – 12 Months



Payment Terms

Late payment of due accounts remains widespread. Over half of firms (53 per cent) reported that their contractual payment terms were 30 days or less, but only 29 per cent of firms were, on average, were 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 19 per cent of firms reported this was the average time that they had to wait for payment.

Chart 12: Payment Terms and Periods

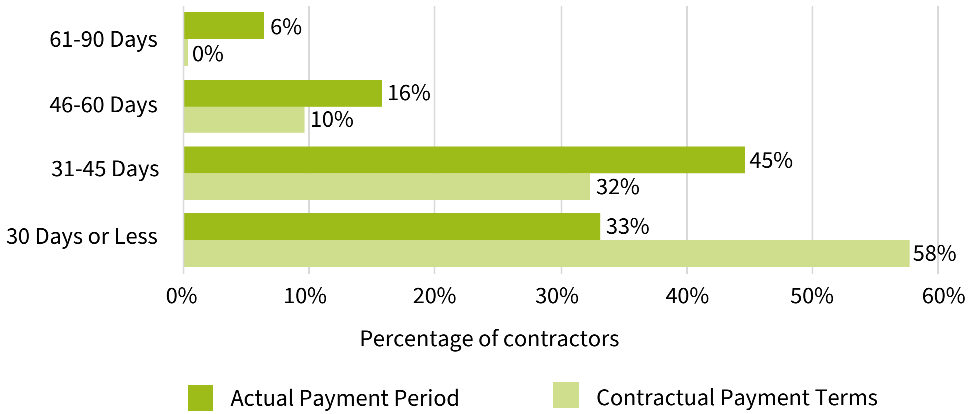
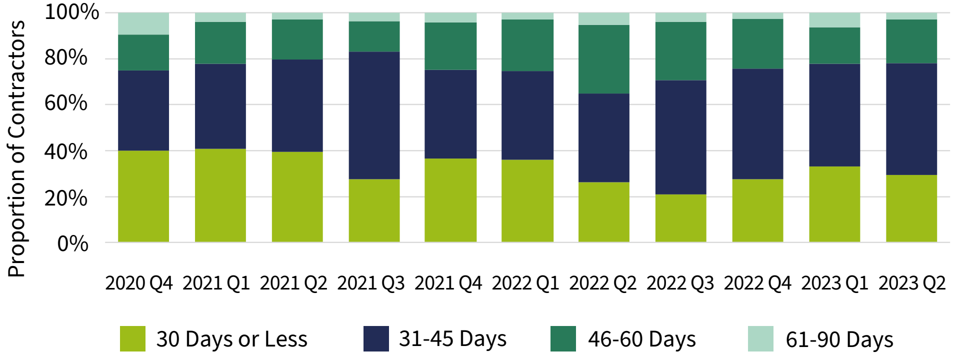


Chart 13: Actual Payment Period



Cash Retention

Over three-quarters of roofing contractors are subject to cash retention in their contracts. The practice was most common in the new residential sector with 90 per cent of firms subject to cash retention. In contrast, 70 per cent of firms operating in the domestic RM&I sector were subject to retentions. The average value of retentions was 4.3 per cent, however, three-quarters of affected firms reported retentions of 5 per cent or more. The average value of retention was greatest in the new residential sector at 4.5 per cent.

Chart 14: Cash Retention

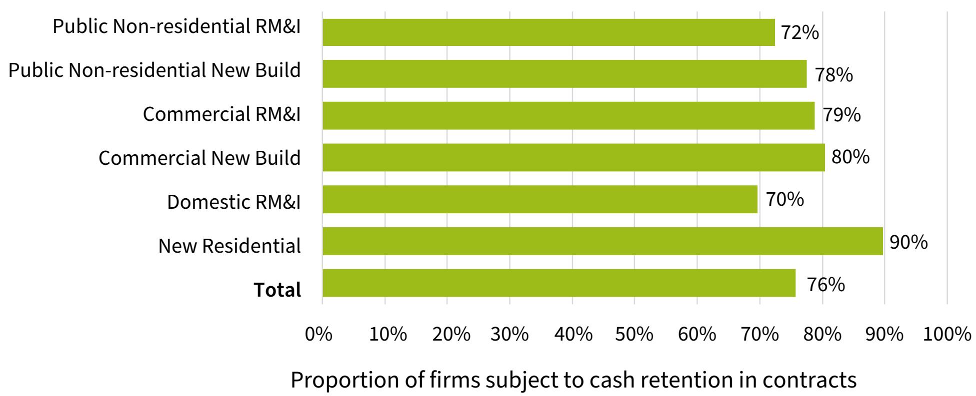
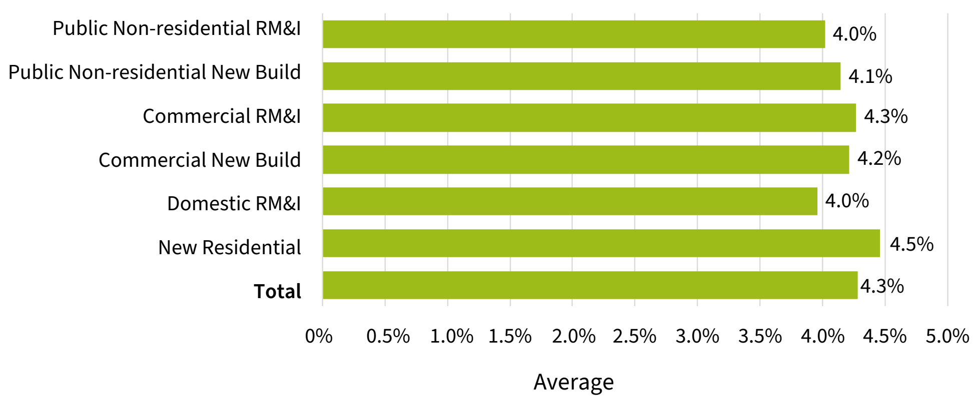


Chart 15: Percentage of Contract Value Held in Retention



Glenigan
CELEBRATING 50 YEARS

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

NFRC
LEADING ROOFING EXCELLENCE

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

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