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behalf of the NFRC

 **Glenigan**

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# State of the UK Roofing Industry

## Q4 2021

January 2021

  
LEADING ROOFING EXCELLENCE

NFRC is the UK's largest and most influential roofing and cladding trade association. With a history spanning over 125 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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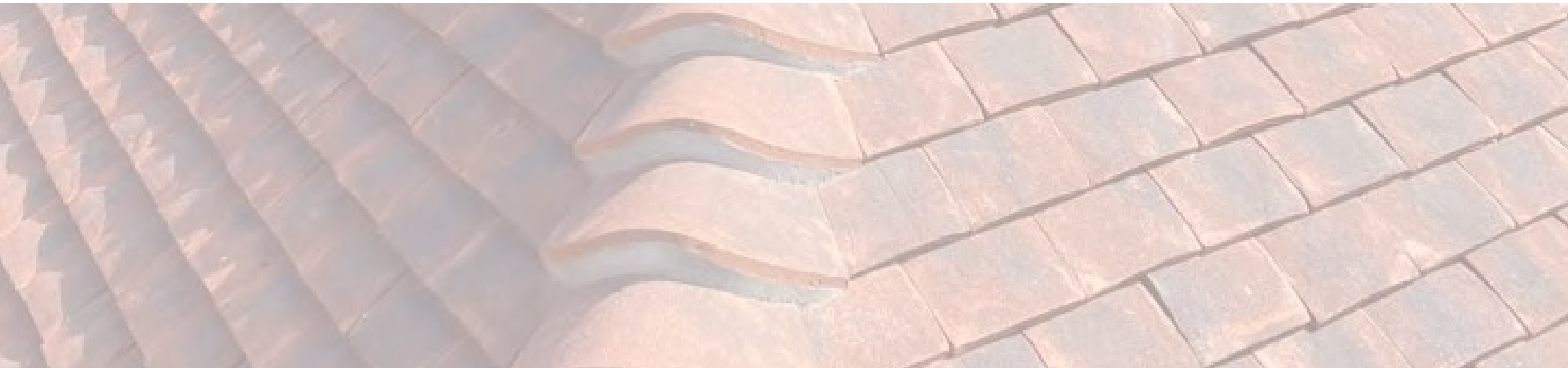
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## About The Author



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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.

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## About This Survey

This report looks at activity during the three months to December 2021. The survey of NFRC members was conducted between 16th December 2021 and 12th January 2022. 127 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 Philip Campbell, NFRC Head of Policy & Communications



**Philip Campbell**

NFRC Head of Policy & Communications



In spite of the challenges persistent throughout 2021, from material shortages and rising costs, to a lack of labour, to the continued impacts of Covid-19, the roofing and cladding industry remained robust once again, with contractors reporting increased workload again in Q4, as seen in every other quarter of the year.

Overall, a balance of 30 per cent of roofing contractors reported a growth in their workload in the fourth quarter of 2021, compared to the third quarter. This growth does not quite match that of Q3, which saw 40 per cent report an increased workload, but does show continued growth for the fifth consecutive quarter, since this survey began.

A greater number of contractors reported an increase in enquiries than reported a fall, suggesting a strong pipeline of available work will continue.

Contractors in each of the six measured sectors saw their workloads increase in Q4 of 2021, though for the majority, fewer contractors reported an increase than in Q3. The biggest slowdown of growth was in the New Residential sector, which saw a balance of 36 per cent of contractors reporting increased workloads in Q3, falling to 20 per cent in Q4.

Regionally, the majority of areas saw growing workloads, with Scotland seeing the most significant growth, with a balance of 72 per cent of respondents reporting increased workloads. However, despite a healthy Q3 in terms of workload, the North West saw an overall decrease in the pace of growth, with the balance of responses at -30 per cent, a much larger slowdown than any other region, Wales and Northern Ireland being the other regions to experience a slowdown (their balance of responses at minus four and minus three per cent respectively). All regions except Wales reported higher workloads than twelve months ago.

In terms of enquiries, responses were slightly more mixed, with some regions now reporting a slowdown in enquiries and others continued to note growth, perhaps indicating that the coming months will hold further slowing of growth in workloads.

A balance of twelve per cent of contractors reported that their businesses' direct headcount had increased compared to a year ago, though a balance of just one per cent reported an increase compared to the last quarter. The increased capacity needed to fulfil growing workloads, the survey indicates, was often filled by sub-contracted labour: a balance of eleven per cent reported an increased use of sub-contracted labour compared to Q3.

Labour shortages persisted into Q4. Whilst the balance of respondents reporting difficulty recruiting into all roofing and cladding roles dropped slightly in Q4 (at 10 per cent, compared to 13 per cent in Q3), a number of specific roles evidently became harder to recruit for: 41 per cent of firms reported difficulty recruiting roof slaters and tilers in Q4, an increase on the 29 per cent who reported the same in Q3. This continued to catalyse the rise in labour costs, which a balance of 55 per cent of contractors reported experiencing in Q4.

Material cost increases were noted by the majority of respondents, a balance of 86 per cent. This cost to businesses was reflected in tender prices, with 61 per cent of contractors reporting that they had increased their tender prices on those offered in Q3.

A balance of 42 per cent of firms reported greater difficulty in obtaining materials during Q4. Shortages of concrete and clay roof tiles were reported by 32 per cent of contractors, whilst insulation, crucial to green homes and retrofit efforts, was reported to be in short supply by 20 per cent. A lacking supply of timber battens (reported by 26 per cent) remains a concern.

Contractors are viewing 2022's prospects positively, with a balance of 39 per cent having positive market expectations for the next quarter, and 43 per cent for the next twelve months.



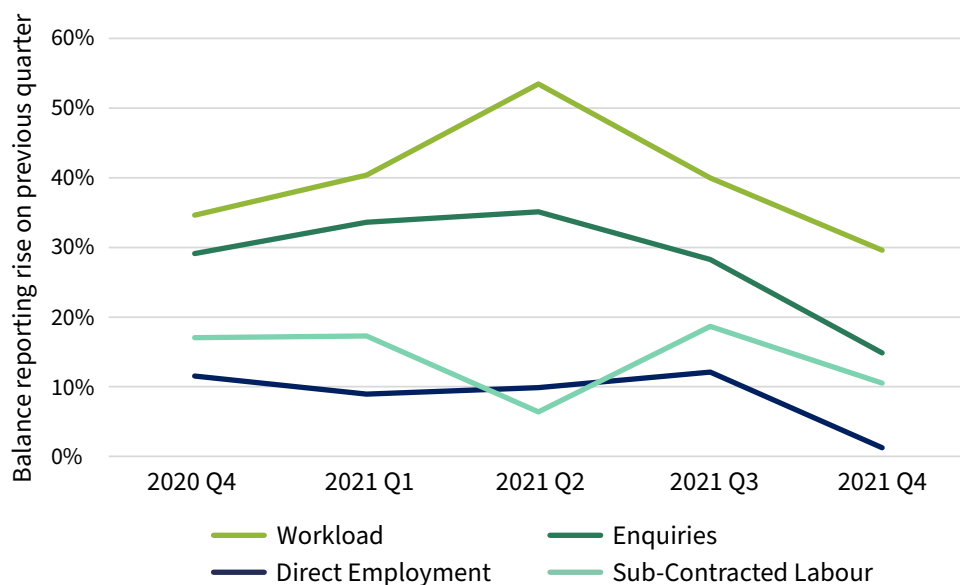
## Key Indicators

The growth in roofing contractors' workload continued to moderate during the final quarter of 2021. 40 per cent of firms saw a rise in workload on the previous quarter against 10 per cent reporting a decline.

A balance of 15 per cent of firms reported an increase in enquiries, signalling a further, albeit weak rise in workload over the next three months. The increase in workload and enquiries against the fourth quarter of 2020 is even more marked, with a balance of 50 per cent of firms reporting higher workload and 39 per cent seeing more enquiries than a year ago.

Direct employment levels were unchanged on the previous quarter, having grown in each of the preceding four quarters. However, a balance of firms (11 per cent) 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

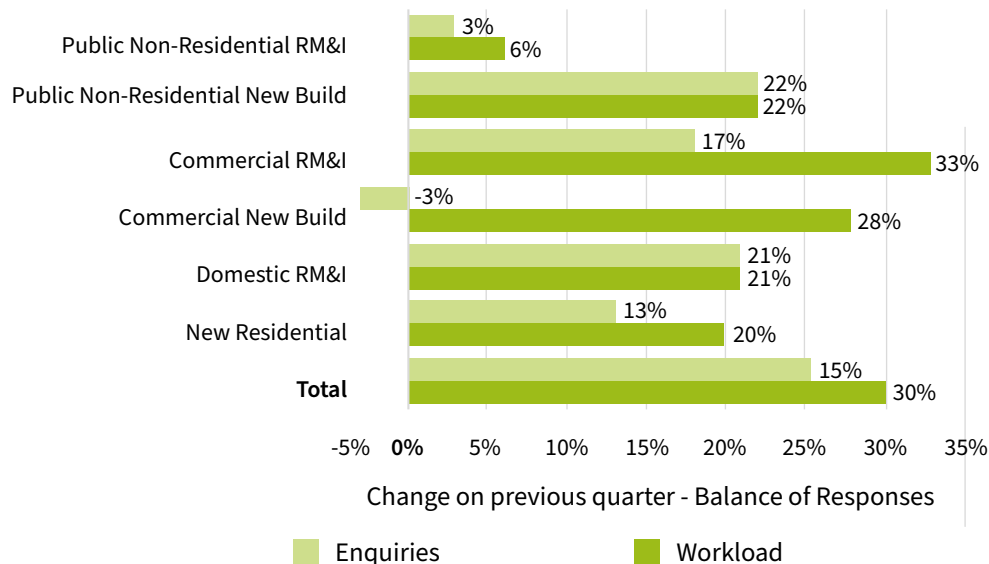


## Workload and Enquiries by Sector

Workload continued to rise firmly during the fourth quarter with a balance of 30 per cent of roofing contractors reporting that their overall workload was up on the third quarter of 2021. Commercial RM&I was the fastest growing sector, with 39 per cent of firms operating in the sector increasing their workload against only 6 per cent seeing a decline. Commercial new work was also a strong performing sector with a balance of 28 per cent of firms reporting increased workloads. Growth in new residential and domestic repair maintenance and improvement (RM&I) sectors slowed, with a balance of 20 per cent and 21 per cent of firms increasing their workload respectively. Public non-residential RM&I saw the weakest growth with a balance of 9 per cent of firms increasing their workload.

Rising enquiries point to further but slower growth in workload during the first quarter of 2022. Domestic and commercial RM&I should remain bright spots, while a balance of 3 per cent of firms report a drop in new build commercial enquiries.

Chart 2: Workload and Enquiries by Sector

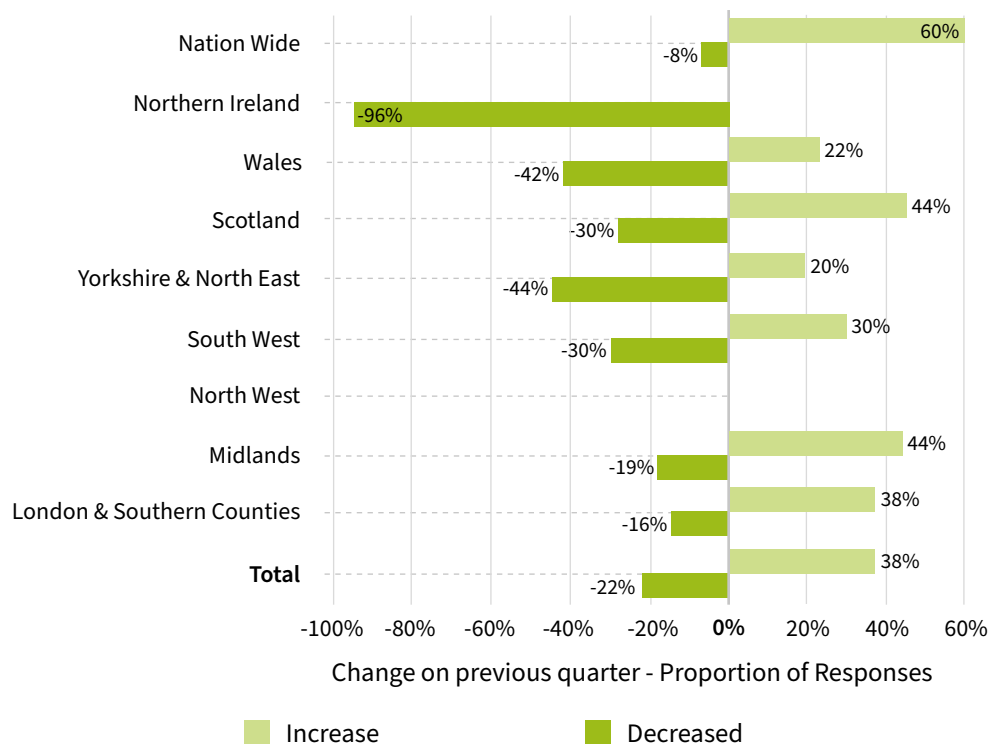


## Workload and Enquiries by Region

Roofing contractors with nationwide operations saw the strongest increases in workload during the fourth quarter of 2021, with a balance of 48 per cent reporting an increase against the previous quarter. Contractors reported growth in all parts of the UK apart from Wales, where a balance of 15 per cent of firms experienced a decline in workload. London & Southern Counties and Scotland also saw a strong rise in workload. In contrast workload was little changed in the North West and a small balance of firms reported falls in workload in Wales and Northern Ireland.

New enquiries indicate that workload growth during the first quarter of 2022 is set to be strongest for nationwide contractors. Regionally London & Southern Counties, the Midlands and Scotland are set to be growth markets, while enquiries levels have been unchanged or weakening in other parts of the UK

Chart 3: Enquiries by Region





## Employment and Skills Shortages

Staff recruitment remains difficult with 74 per cent of firms experiencing greater difficulty recruiting suitable labour during the quarter. No firms reported an improvement in recruitment conditions. Against this backdrop, firms' direct headcount was unchanged on the preceding quarter, while a balance of 11 per cent of firms increased their use of subcontracted labour. Roof slater and tiler was the most frequently mentioned difficult to fill role with 41 per cent reporting recruitment difficulties, up from 29 per cent in the previous quarter. Slaters, built-up felt roofers, single ply, lead workers and tilers were also frequently mentioned.

Chart 4: Labour Indicators

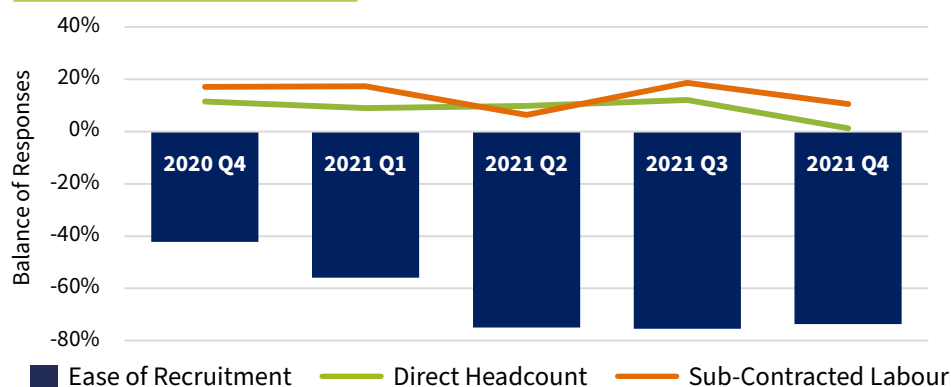
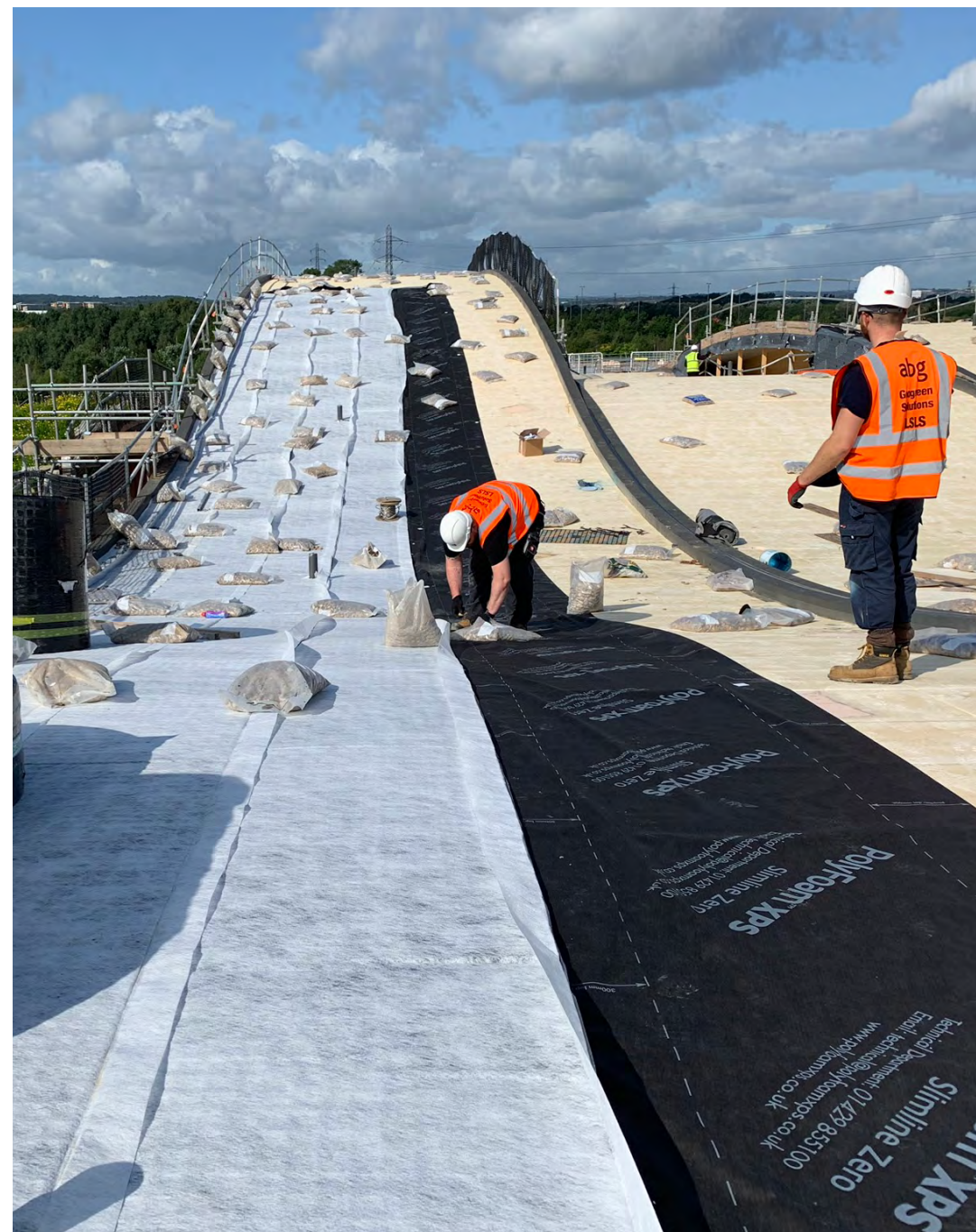


Chart 5: Areas of Skills Shortages





## Costs, Prices and Materials Availability

Material and labour shortages have been accompanied by a rise in contractors' costs that are lifting tender prices. A balance of 55 per cent of firms reported labour costs rose during the fourth quarter, with 62 per cent reporting an increase against the final quarter of 2020. The rise in material costs has been more widespread with a balance of 86 per cent of firms seeing costs rise during the fourth quarter.

A balance of 42 per cent of firms reported greater difficulty in securing materials during the quarter. A fifth of firms reported difficulty obtaining all types of materials. Shortages of concrete and clay roof tiles were reported by almost a third (32 per cent) of roofing contractors. Additionally, timber battens (26 per cent) and insulation (20 per cent) were frequently mentioned as being in short supply. The rise in labour and material costs is feeding through to tender prices, with a balance of 61 per cent of firms increasing their tender prices during the quarter.

Chart 6: Change in Costs and Prices

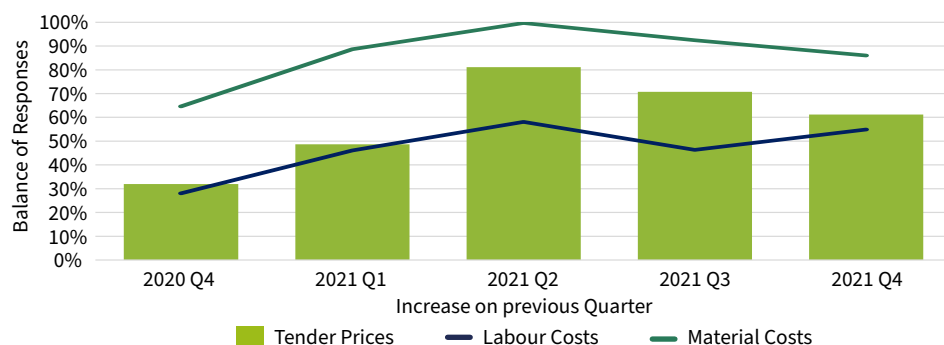
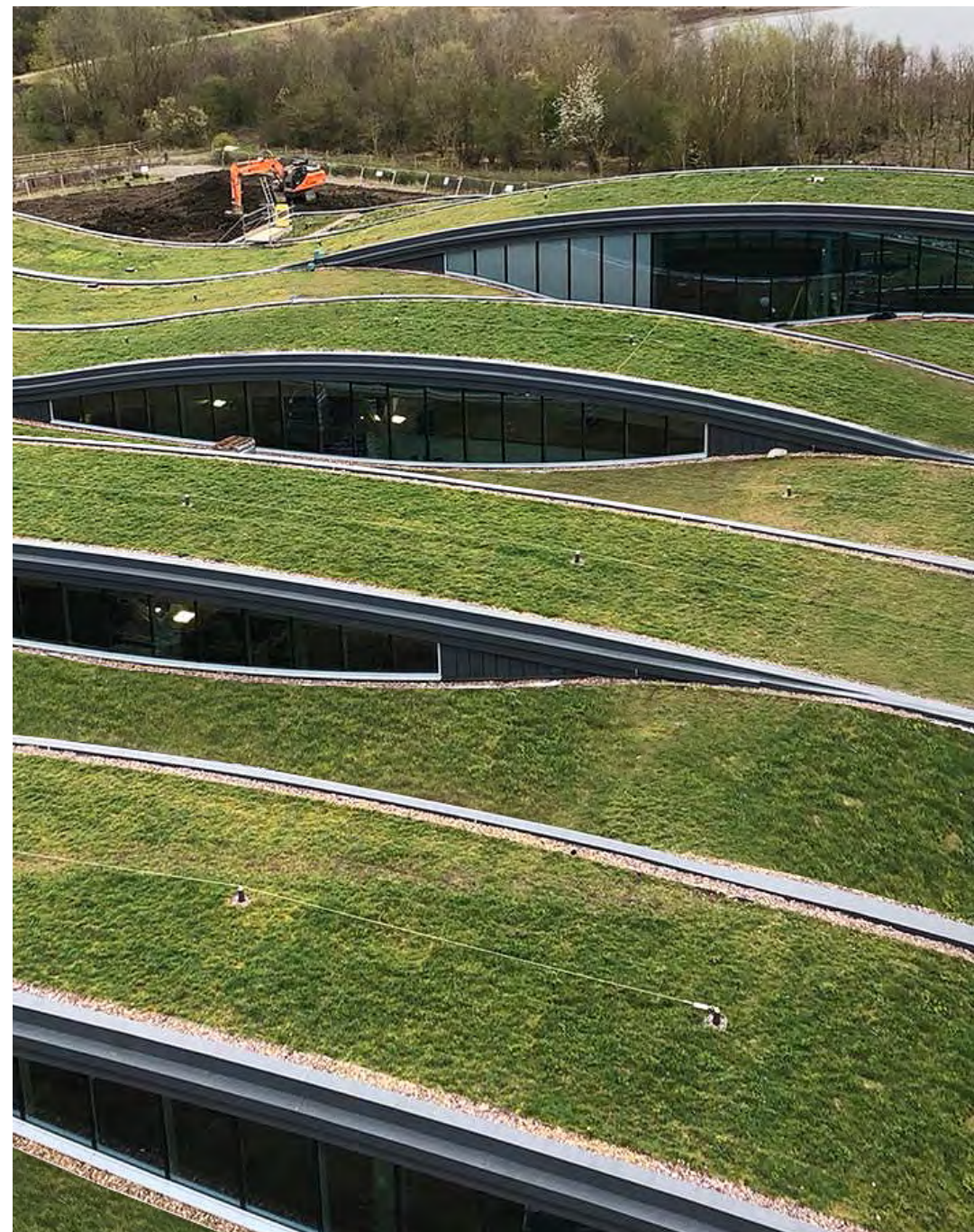
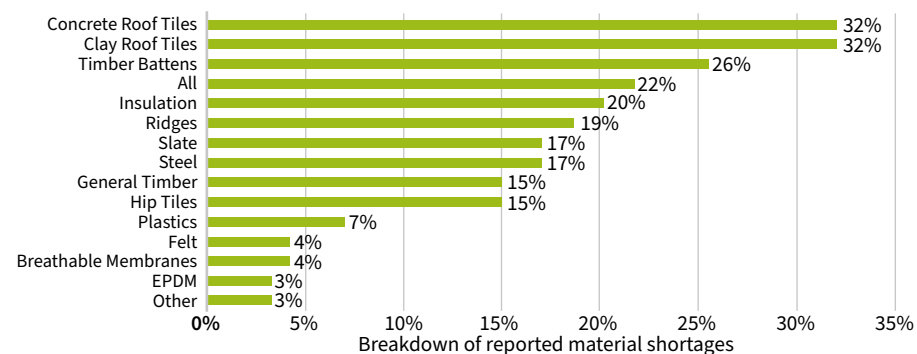


Chart 7: Material Shortages

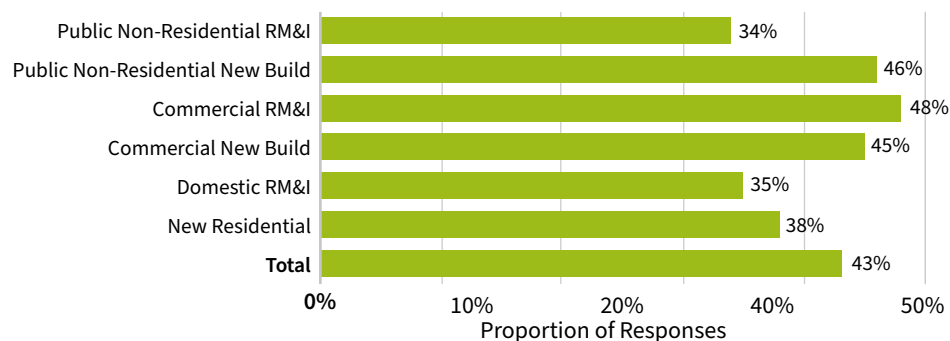




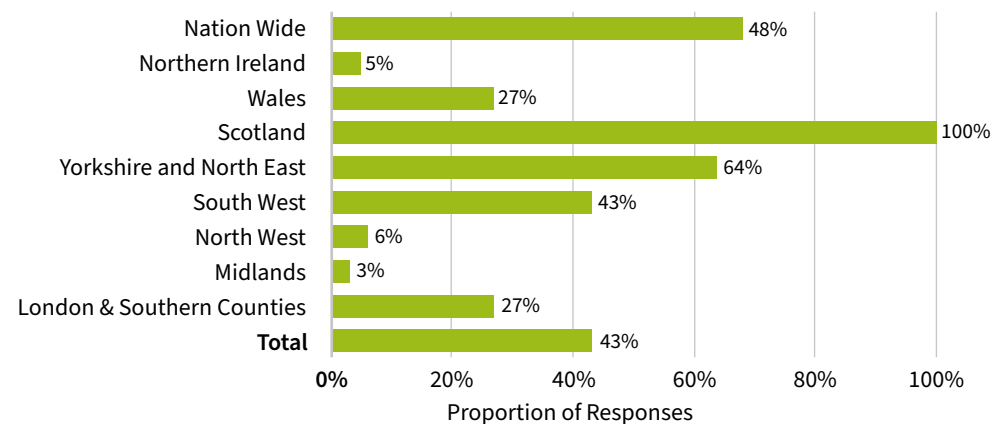
## Market Expectations

Roofing contractors expect further growth in workload during the first quarter and over the next 12 months across all sectors. New public non-residential and commercial work and commercial RM&I are set to be the fastest growing sectors during the first quarter and during 2022. Regionally growth expectations for the year ahead are greatest among firms operating in Scotland, Yorkshire & the North East and those with nationwide operations.

**Chart 8: Market Expectations by Sector - 12 months**



**Chart 9: Market Expectations by Region - 12 Months**

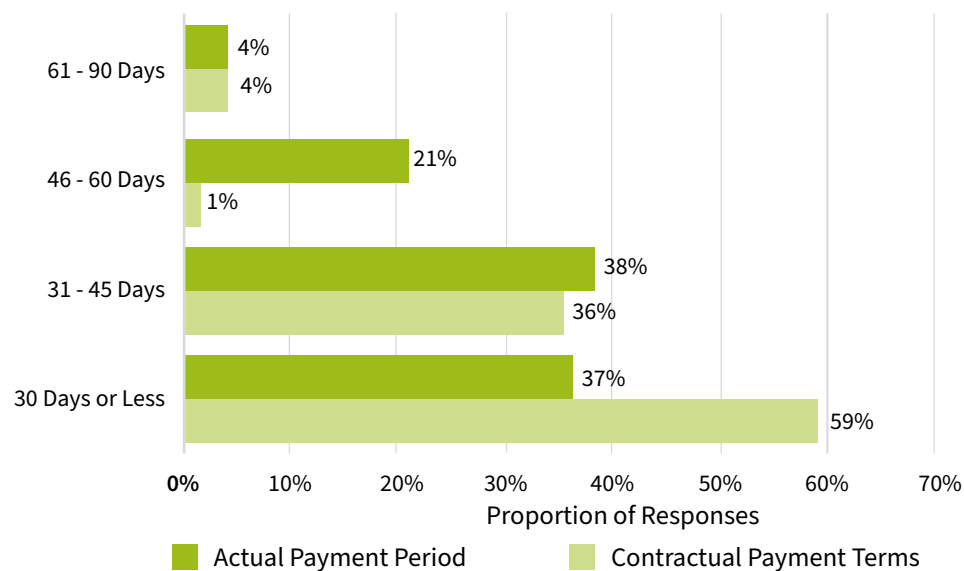




## Payment Terms

Firms reported that the late payment of due accounts is widespread. Over half of firms (59 per cent) reported that their contractual payment terms were 30 days or less, but only 37 per cent of firms were on average paid within that period. A similar picture was reported by firms with longer payment terms. Only 5 per cent of firms had payment terms of 46 days or more, but 25 per cent of firms reported that was the average time that they had to wait for payment.

Chart 10: Payment Terms and Periods





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

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