

State of the Sector Survey Wholesaler Feedback: October 2022





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Introduction

This is the fourth of our quarterly EDA State of the Sector Surveys for 2022, where we asked wholesalers to reflect on business performance in July, August and September 2022.

The Q4 survey opened on Tuesday 4 October 2022, closing Friday 21 October 2022. This survey represents the feedback of EDA wholesaler businesses (members). There is a separate survey for EDA manufacturers (affiliates).

This survey attracted 67 responses, a 26% response rate.

As at 24 October 2022 the EDA has 254 wholesaler members, plus the head offices of the 4 buying groups. A summary of wholesaler and manufacturer feedback was shared at our Talking Shop Zoom Dialogues Tuesday 25 & Thursday 27 October 2022.

Highlights

Three quarters of the way through 2022, and against a backdrop of an inflation rate at its highest since 1982, this survey looks back over July, August and September and asks wholesalers to share their thoughts for 2023. Whilst turnover appears healthy, wholesalers are commenting that it is driven by price increases. 40% of respondents reported a slow down in the market during Q3 with [New Private Housing the worst affected](#).

Wholesalers' top 3 operational challenges are: Attracting and retaining staff; Product price availability issues; and a downturn in demand due to consumers not spending on domestic maintenance. [This slide shows the pattern of challenges facing the wholesaler](#).

What's happening with [wholesalers' stock levels](#)? Are product [lead times broadly solved](#)? And are contractors requesting alternative products to those specified [and, if so, why](#)?

Wholesalers give their thoughts on the impact of rising interest rates (currently the bank base rate is 2.25%), [and on this slide you'll see a prediction for where interest rates may go in 2023](#).

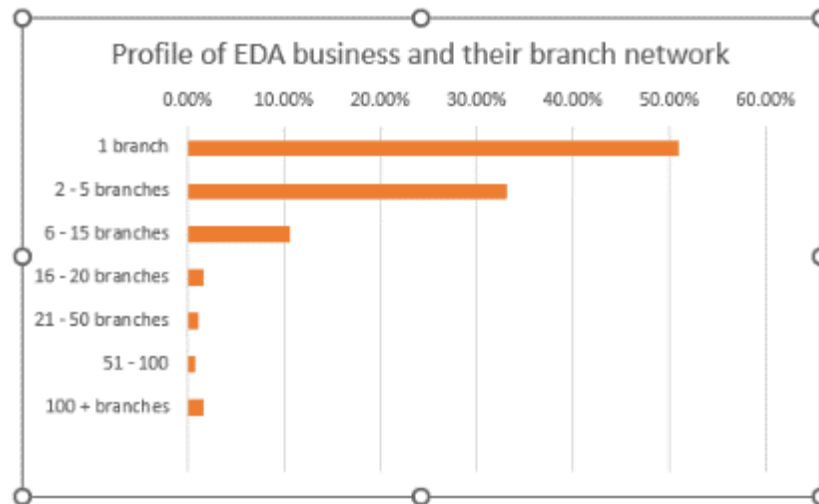
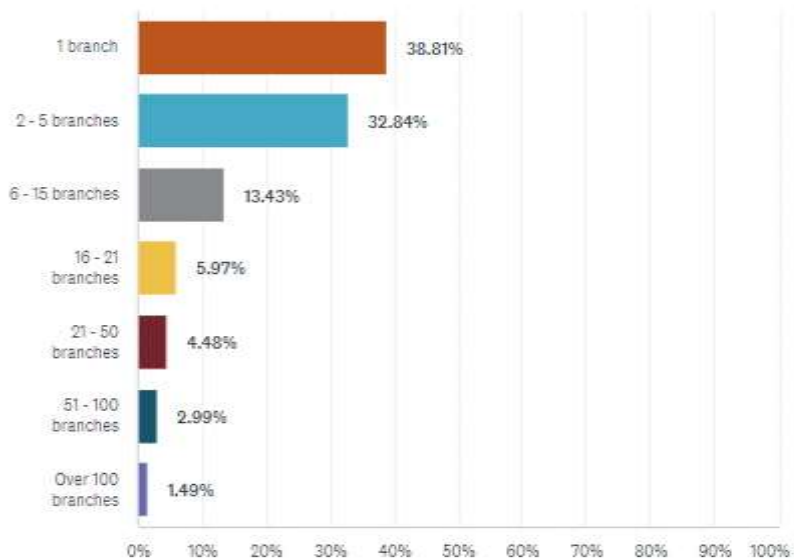
[We'll be keeping an eye on levels of bad debt, as ONS insolvency data makes for tough reading](#).

[And what is 2023 going to bring to the sector?](#)

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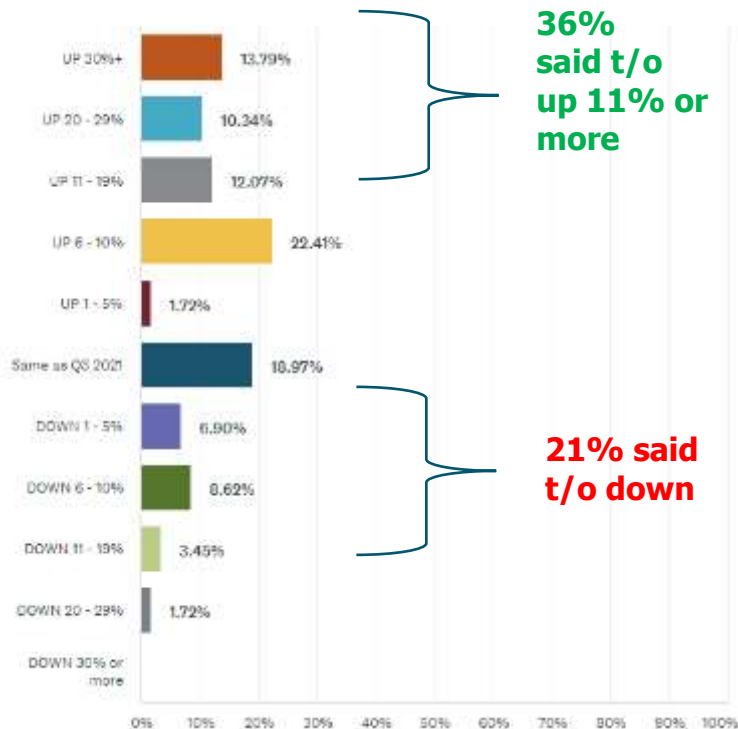
Q1: How many branches do you have?



As at 24 October 2022, EDA wholesalers run 1,880 branches



Q2: Please tell us how your turnover in Q3 2022 compares with turnover in the same period in 2021.



How these figures compare to our July 2022 survey: in our July 2022 survey, 36% of wholesalers who responded said turnover was up 11% or more.

In April 2022, 25% said turnover was down 11% or more.

Comments from wholesalers on turnover:

"Main reason for flat sales is lost business from significant bad debts"

"Business is flat, turnover increased with price increases"

"Financial turnover is up but not in line with inflation"

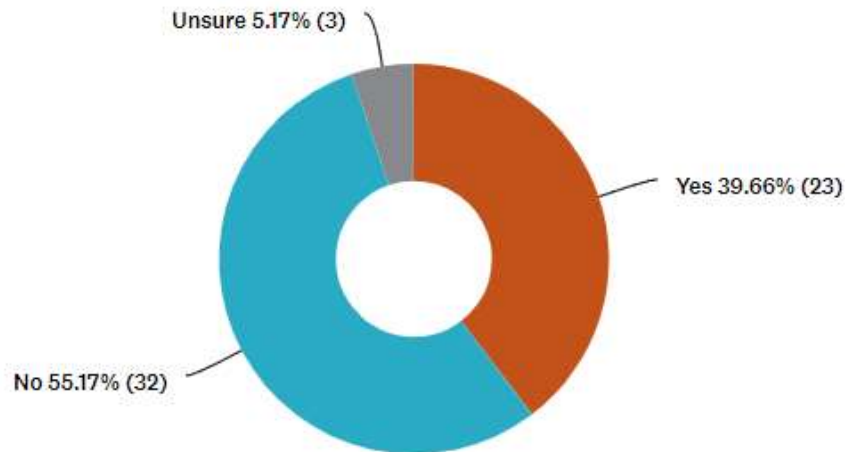
"Difficult to maintain margin in current climate"

"We had a very good September 2021 so might not be accurate"

"August killed us, sites were very quiet"



Q3: Did you experience a slow down of the market in Q3 of 2022?



Selection of comments from wholesalers on this topic:

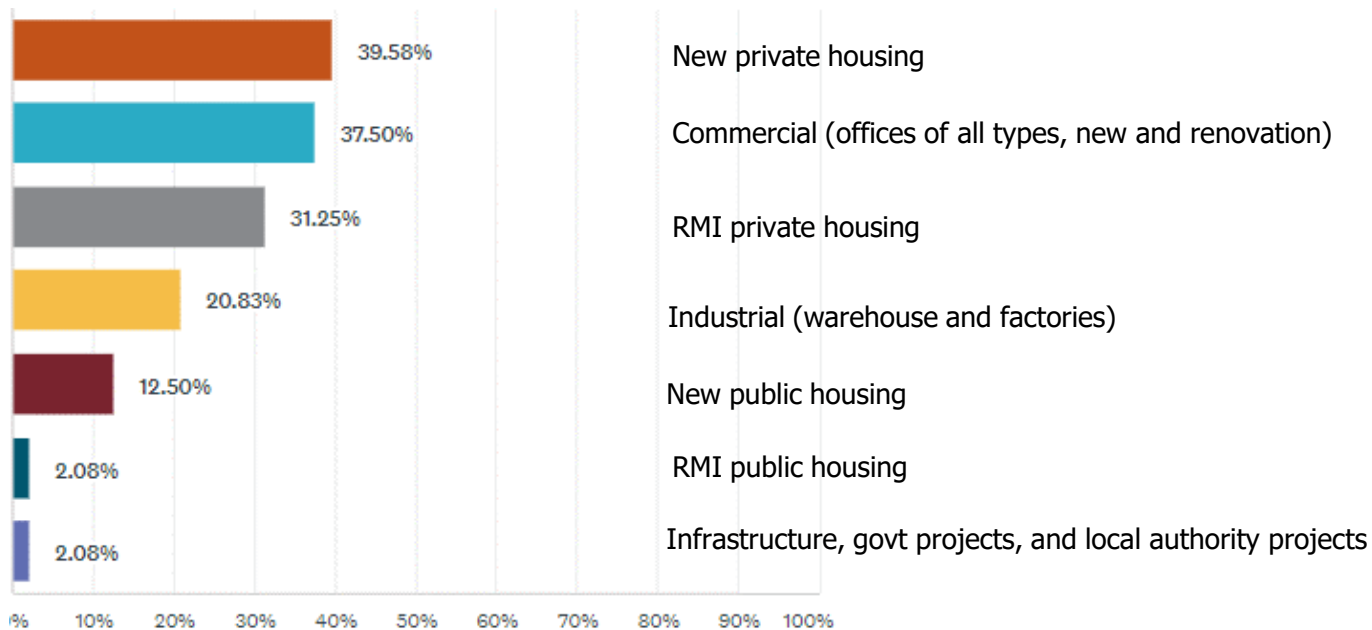
"Market has slowed down. The bounce back from Covid is tailing off and with foreign travel there is less disposable income for domestic refurb's"

"Lots of customers on holiday and we also have a good portion of customers in the automotive industry"

"July – September is traditionally the quietest quarter in our sector"



Q4: In which sectors have you seen the biggest slow down in orders in Q3?





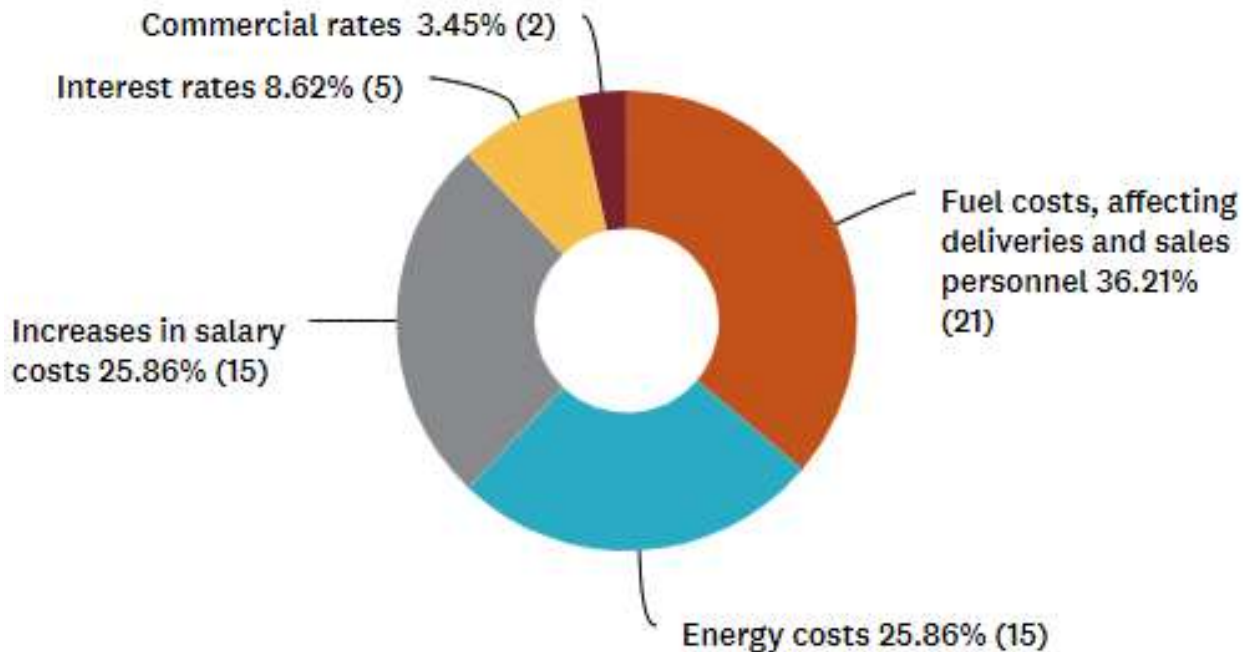
Q5: Wholesalers' current top 3 operational challenges:

	Sept 2021	Nov 2021	Jan 2022	April 2022	July 2022	October 2022
1	Product availability	Product availability	Product availability	Increased running costs (equal first with) Dealing with the rising cost of products	Product price and availability issues	Attracting and retaining staff
2	Manufacturer price increases	Attracting and retaining staff	Attracting and retaining staff	Attracting and retaining staff	Inflation (equal 2 nd) Attracting and retaining staff	Product price and availability issues
3	Attracting the right people to the business	Customers expecting products to be available from stock and at short lead times	Customers expecting products to be available from stock and at short lead times	Product availability (dropped from its top slot since July 2020)	Downturn in demand due to consumers not spending on domestic maintenance	Downturn in demand due to consumers not spending on domestic maintenance

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Q6: Which cost increases have the biggest negative impact on your business?



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Q7: What do you think the impact of rising interest rates will be on your business?

This was an open-ended question and below is a selection of wholesaler comments representing the main themes:

“Contraction of the economy will reduce spend in both the domestic, commercial and industrial sectors.”

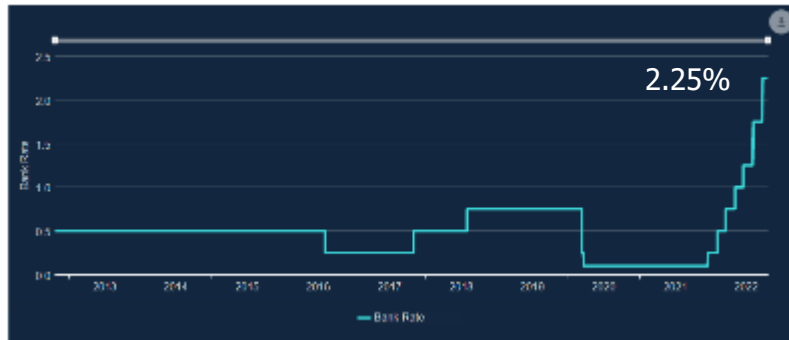
“Reduced trading margin”

“Reduction in demand domestically as people have less £ in their pocket. Commercially as some projects will get delayed or shelved”

“Downturn in consumer spending”

“Slow down in the residential new build market as mortgage costs increase”

“Pressure from staff for wage increases to cover cost of living”



Economic Indicators					
	2020	2021	2022	2023	2024
	Actual	Actual	Estimate	Forecast	Projection
GDP	-11.0%	7.5%	-4.1%	-1.0%	1.9%
Fixed Investment	-10.5%	5.6%	5.3%	0.0%	2.9%
Household Consumption	-12.9%	6.2%	-4.5%	-1.1%	2.7%
Real Household Disposable Income	-1.0%	0.8%	-2.8%	-1.3%	3.0%
Government Consumption	-7.3%	12.6%	1.5%	2.7%	1.2%
CPI Inflation	0.8%	2.7%	8.0%	5.0%	2.2%
RPI Inflation	1.5%	-4.1%	11.3%	8.6%	2.8%
Bank Base Rates - June	0.10%	0.10%	1.25%	4.00%	3.50%
- December	0.10%	0.25%	3.75%	3.75%	3.25%

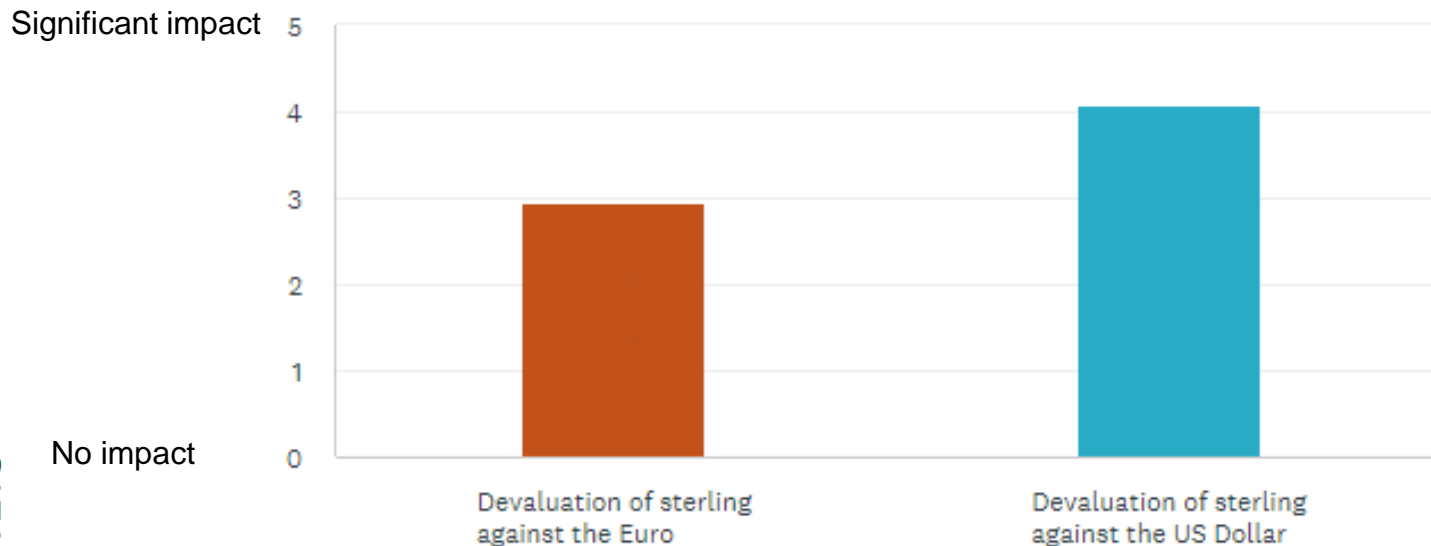
Source: ONS, Construction Products Association

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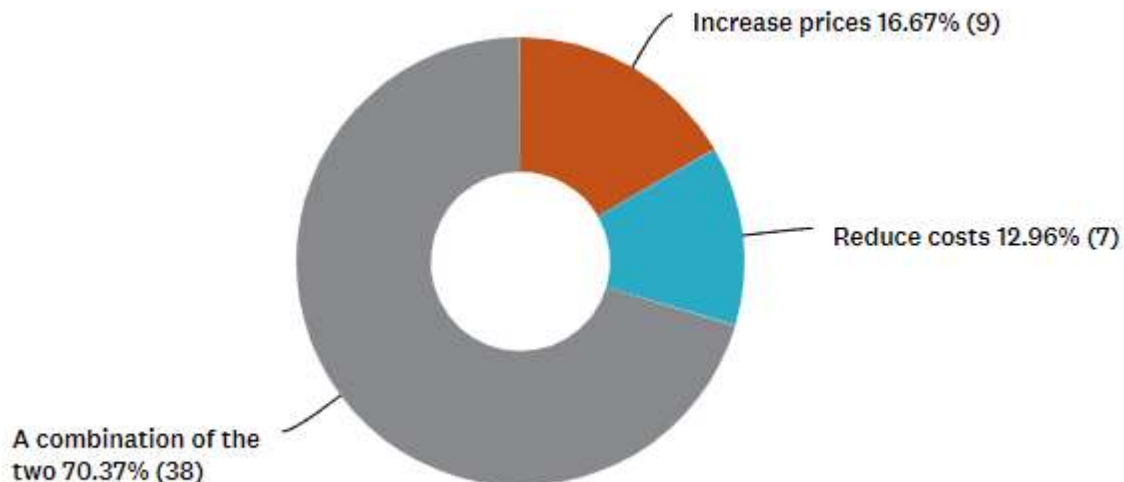
Q8: Which of the following currency fluctuations is having the biggest impact on your business?



Respondents were asked to rank the level of impact using a scale of 0 – 5, where 0 is no impact and 5 is significant impact



Q9: If energy prices increase as anticipated what actions will you be taking?



“We are installing solar power on our building”

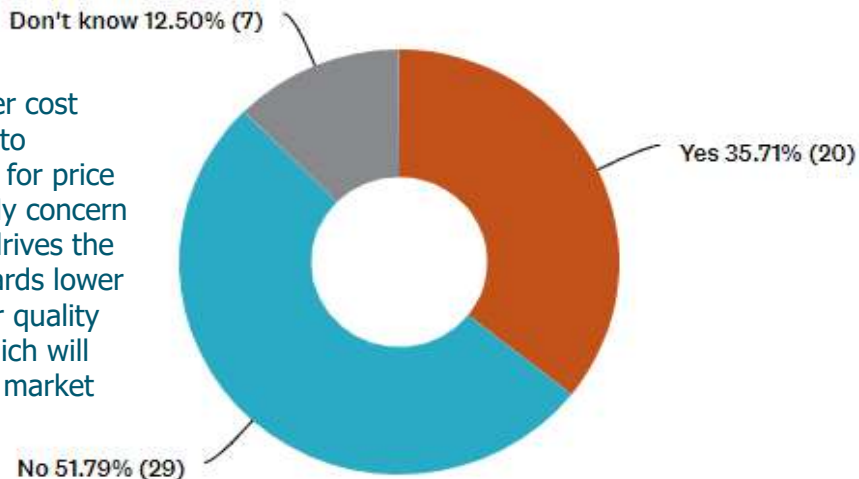
“Improve lighting controls and heating, install solar PV and battery storage”

“Continue to monitor overheads and operational costs – we are already absorbing some of these.”

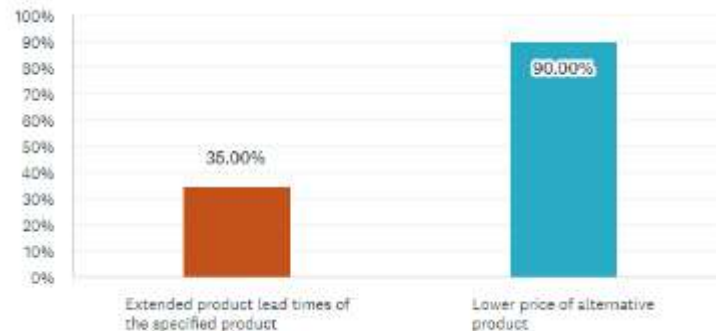


Q10: Have you seen a significant increase in contractors requesting alternatives to the product that has been specified?

"Mostly lower cost alternatives to compensate for price increases. My concern is that this drives the market towards lower cost, inferior quality products which will devalue our market place."

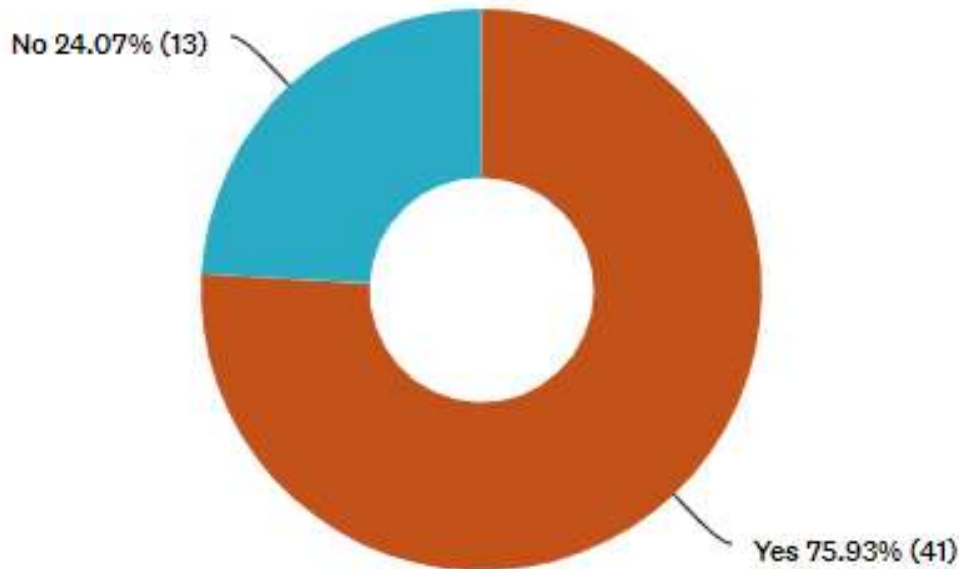


Q10A: To those who answered "Yes" to this question we asked a subsequent question: Why do you think your contractor customers are requesting alternatives to the specified product?





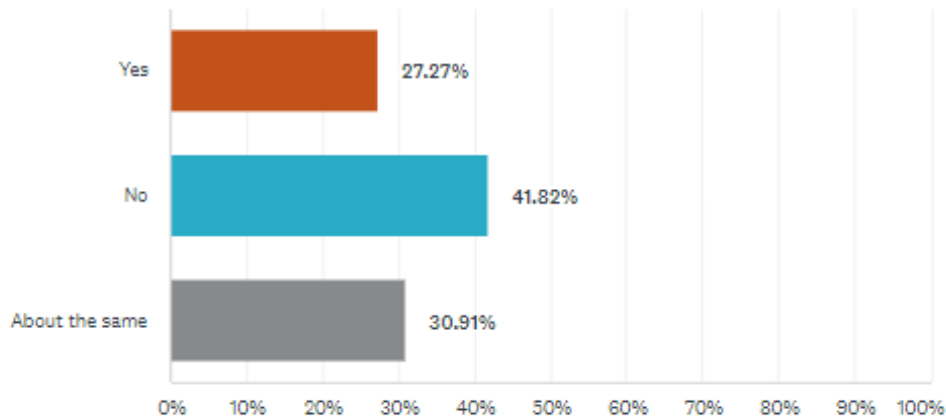
Q11: Have you reviewed the credit limits, payment terms and/or trade credit insurance levels of your customers in the last 3 months?



“Not necessarily reviewed credit limits and terms but they are under additional scrutiny!”



Q12: In Q3 2022 have you experienced a rise in bad debts and contractor businesses going into administration compared to the same period in 2021?

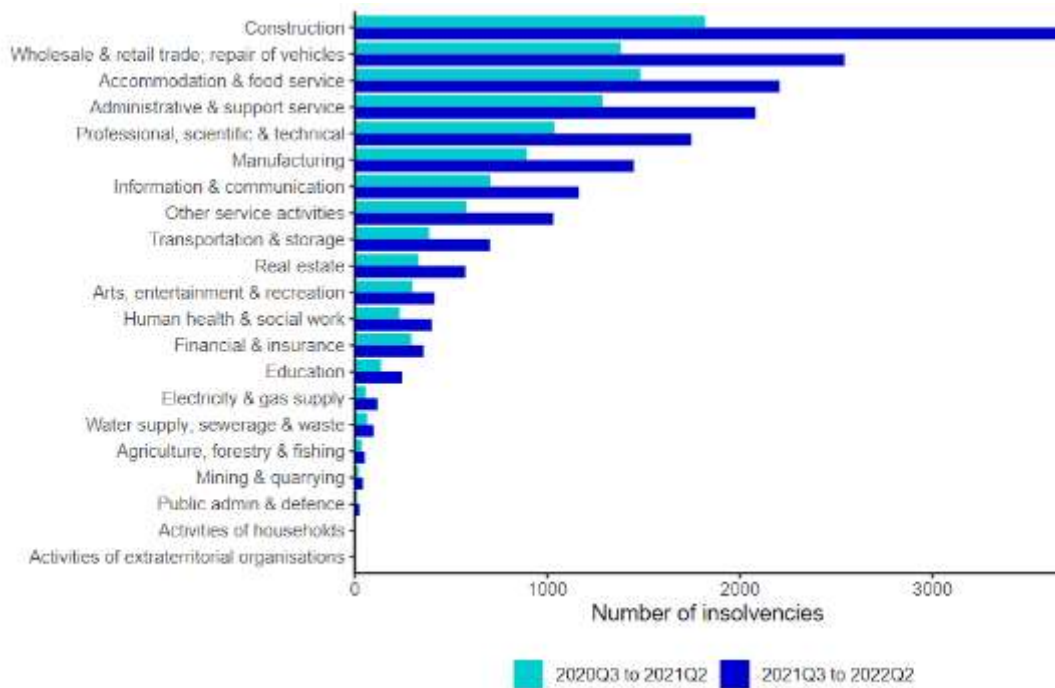


ONS data: Company insolvencies in England & Wales reached their highest level in Q2 2022, since Q4 2009





ONS data on insolvencies by sector



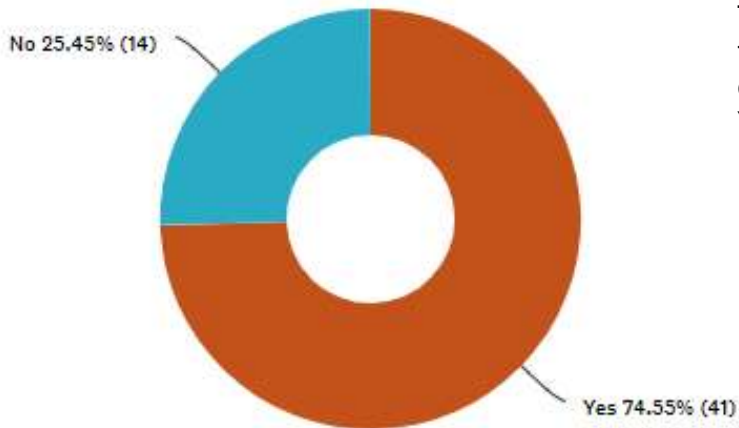
July 2021 – end June 2022

Vs

July 2020 – end June 2021



Q13: Are you aware of the recent changes to the sales of EV Smart Charge Points and the additional paperwork that the wholesaler needs to complete?



“Not aware of paperwork”

“Suppliers weren’t ready and very cagey about the changes and their obligations.”

“Honestly we are somewhat in the dark about what we have to do.”

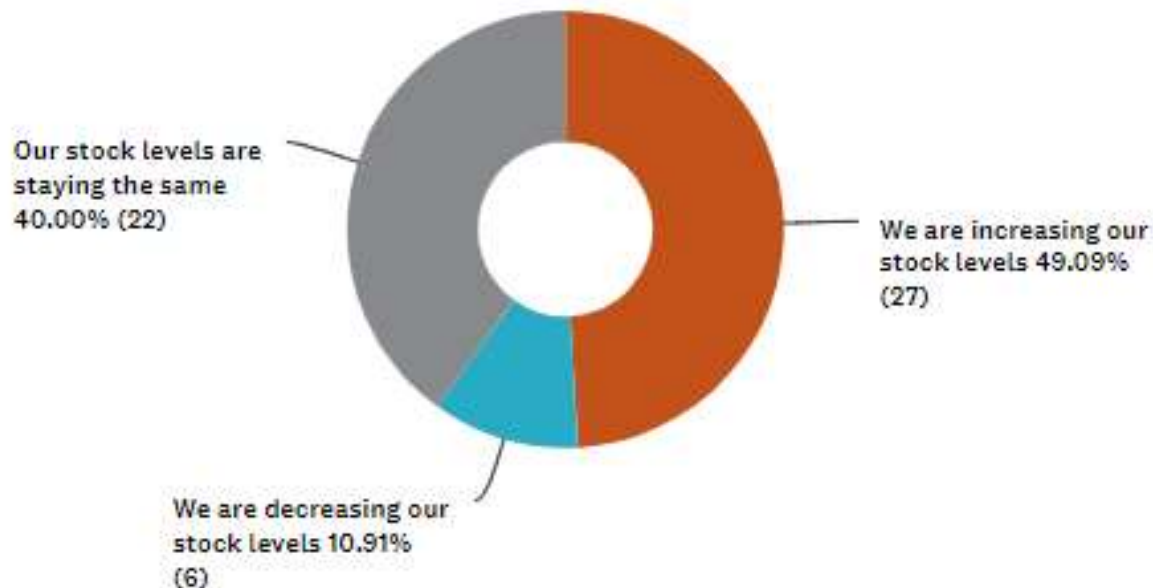
The EDA is working with the Office for Product Safety & Standard (OPSS) to explain the negative impact of these new regs on the wholesaler. For guidance please call Anne Vessey at the EDA on 020 3141 7350. You can also find information on the [EDA website](#).



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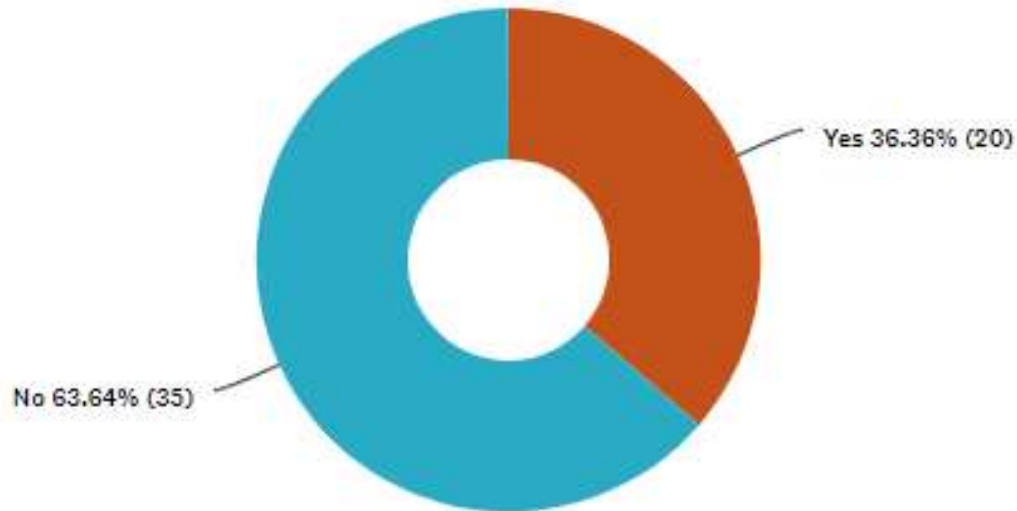


Q14: How are the current pressures impacting on your stock holding?





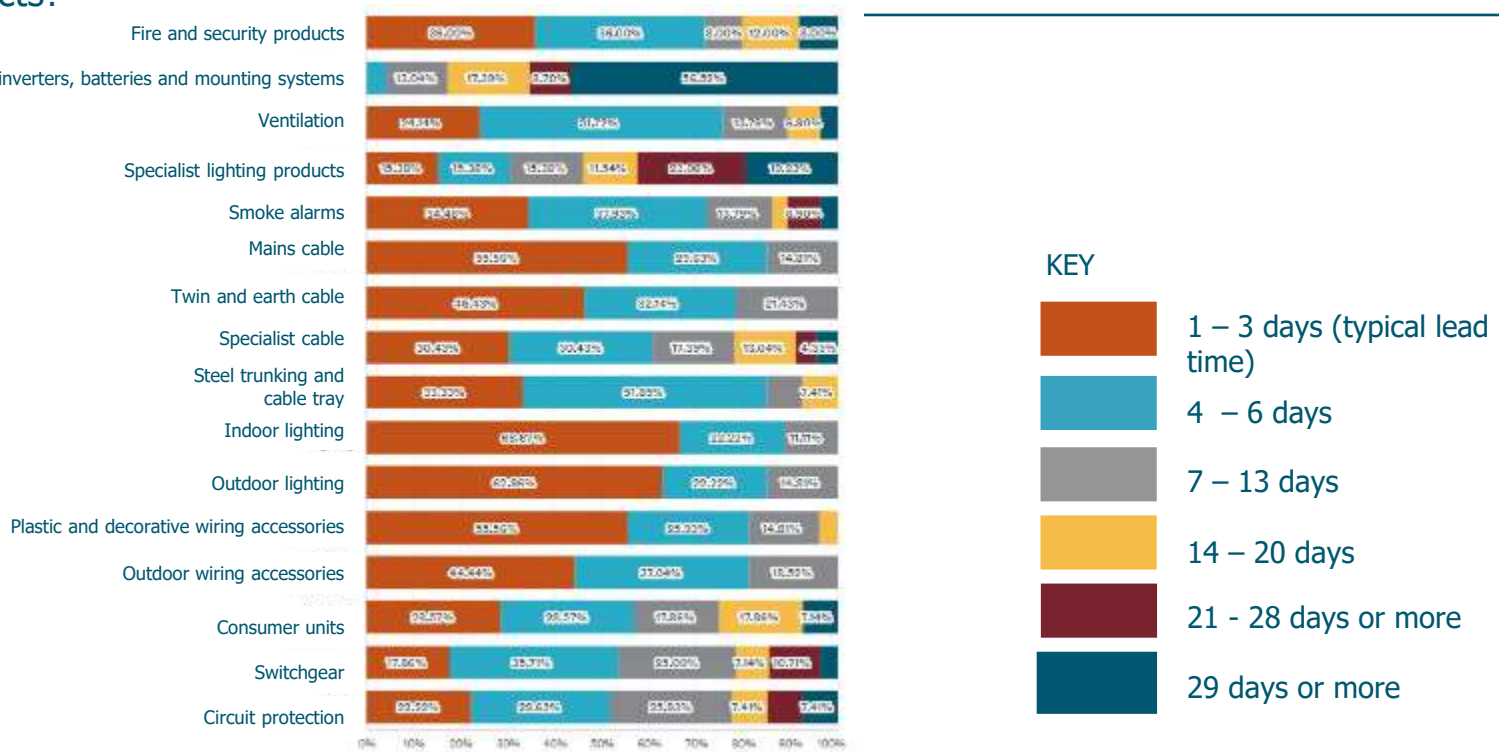
Q15: Do you believe that extended product lead times from suppliers is broadly solved?



Those who replied "No" were directed to the next question.



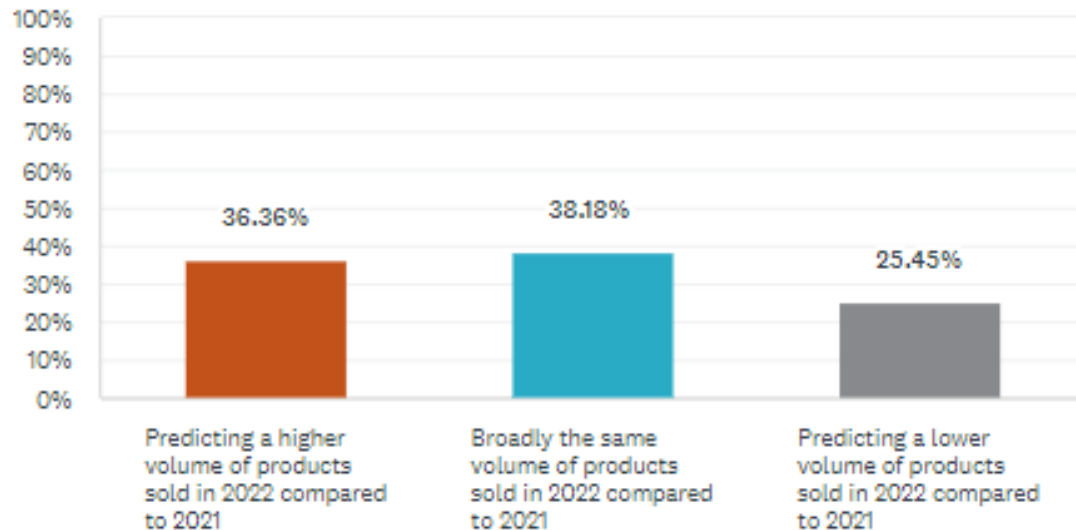
Q16: As you answered 'No' to the previous question about product supply, over the last 8 weeks what has been the lead time from your suppliers, on average, for the following products?



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Q17: As we are three quarters of the way through the year, we'd like your thoughts on business growth and the volume of products sold by your business. How will 'like for like' sales in 2022 compare with 2021?



Wholesalers said

“Having to sell more to maintain profit levels”

“Very strong start to the year but this has now settled down to normal trading levels. We still expect to sell more product this year but expect volumes to slow down.”

“Must keep overheads under control.”

“Decline in core business but growth in renewables sector should compensate.”

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Final comments from wholesaler on what's ahead for 2023:

"2023 is unpredictable now"

"Challenging"

"Optimistic"

"Chaos generally"

"We try and remain positive but continue to be cautious."

"Continued pressure on selling prices – race to the bottom"

"We import far too much, manufacturing must return to the UK. Government must be made to see that putting all your eggs in China is a fatal flaw in growth as a nation."

"Keep debt aware and hope we get a change and more stability."

"Noticed an increase in time taken for customers to settle monthly accounts. While these are not becoming 'bad' debts they are becoming 'older'."

"We are hoping to continue our growth and expansion but it could be challenging."

"I believe certain areas of business will slow due to the economic climate. This will lead to cashflow issues and a higher risk of bad debt."

"We look to develop our low carbon, energy efficient product offering to meet market demand"

"Must keep overheads under control"

"Challenging times on so many levels that are making us raise our game and keep a close eye on a lot of aspects that we may have become complacent with."

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