Materials shortages update and tips to minimise impact

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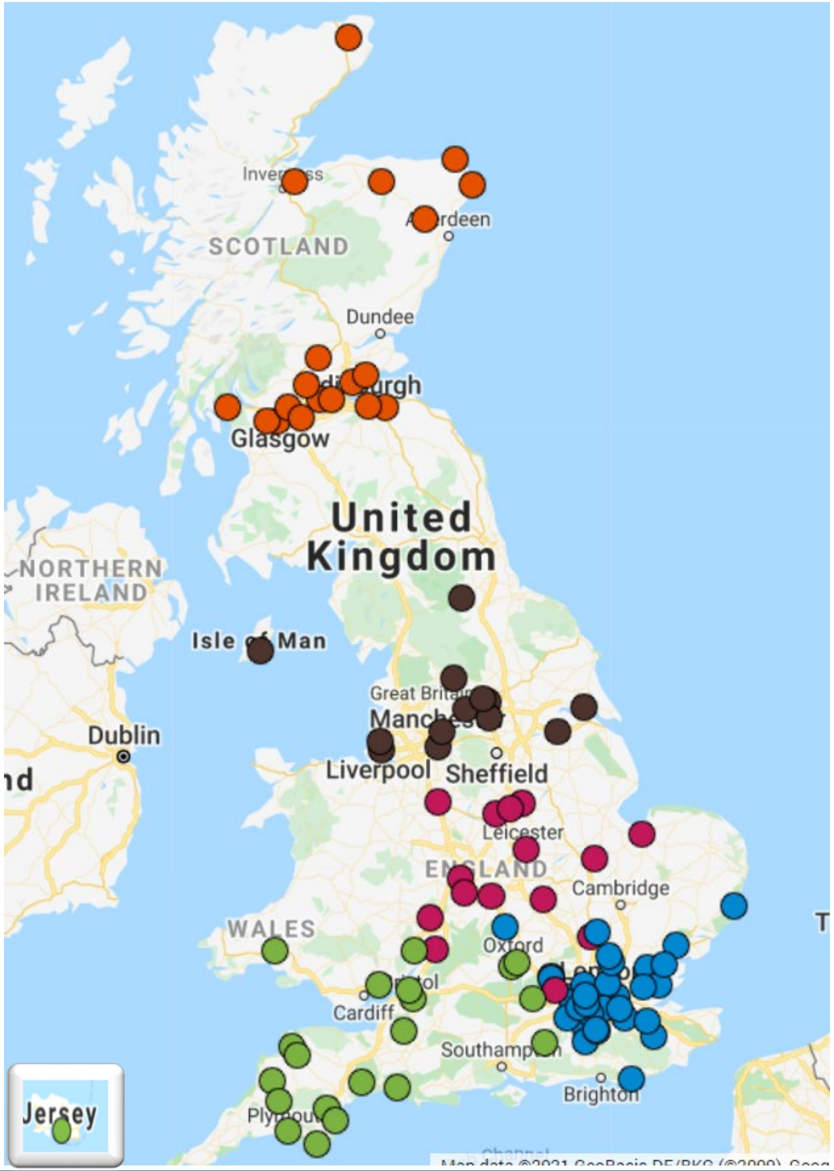
A Partnership of local merchants

NBG
building strong brands



- 86 independent merchants
- 415 branches
- Specialist merchants
- Strong regional focus

Today - A mixed picture

- Demand
  - Short-term slowing
- Service
  - Most manufacturers recovering service levels
- Prices pressures
  - Inflation
  - Oil price > impacts energy and fuel
  - Driver shortages still exist
  - FE container prices still high although some drop
- Labour
  - Local Covid branch absence

Next year – best guess

- Covid worry > cash available > spending at home
  = Strong demand is still there
- Cement demand greater than capacity for 2+ years
- Many year end price increases
  - Some Year end / Q1 price softening, but not a lot
- Some high energy factories in China closing to reduce carbon emissions. E.g. impacts metal products
- New plastic packaging tax 1st April 2022
  - £200 per tonne
- Red diesel - levy removed 1st April 2022
  - 11.14 > 57.95 pence per litre
  - Impacts onsite manufacturers, aggregates, quarries

Unless inflation slows demand – earliest Q4 2022

Here are some brief supply summaries by our categories

Brick and block - challenging

- Allocations cut on aircrete and bricks, due to low stock = inefficient manufacturing
- Significant prices increasing year end for both and may increase mid year
- 2022 Q3 new brick capacity arrives from Forterra

> some easing of supply (Ibstock follow 2023)

- No extra manufacturing volume for aircrete

Civils &Landscaping
Tricky to call

- Natural stone
  - Product purchased at high prices by suppliers /merchants
  - Suppliers have high stocks at port and in yards
  - Quarries slowed / stopped production
  - Shipping small price reduction

    > some limited short-term preseason price offers
  - If volumes pick up (end of Q1), driver availability issues likely > prices increase
  - Q2 extra shipping arrives > Possible Q3 container price reductions
- Concrete based landscaping and flag and kerb
  - Suppliers lead times still extended but improved
  - Year end price increases
  - Logistics issues continue

Decorating, Hardware & Kitchens Mixed

- Paint
  - Supply still poor / variable
  - Price increase October – maybe mid year
- Kitchens
  - Furniture - good
  - Appliances - supply still 12+ weeks
- Screw/Fixings/Ironmongery
  - Prices still increasing
  - A lot of stock has landed but going straight out so supply gaps exist by manufacturer

General Build – heavyside
Better but worrying

- Cement and cementitious
  - Off allocation but long-term capacity issue
  - Prices have increased and possibly again
    - Carbon Tax and EPR- Extended Producer Responsibility, adding to cost
- Concrete lintels and fencing long lead times and allocation
- Steel lintels / wall ties / bead and mesh – commodity steel has fallen, but not UK prices due to increasing energy costs
- Garage doors massive increase due to steel up
- Sealants / Chemicals;
  - Price continue to increase due to silicone shortage (CO2 restrictions China) > switching hydris and ms Polymer, away from pure silcon
- Plasterboard and Plaster
  - Ok supply
  - Price increases Jan 22

Plumbing, heating and showrooms

- Plastics
  - Service and supplies slightly better but not good
  - Commodity prices have peaked and dropped, but no sign of UK prices dropping due to inflation, energy and driver costs
- Bathroom based products variable supply with many price increases Jan 2022

Roofing and insulation

- Roof tiles
  - Ongoing challenges since pre Covid – extended lead times still, prices up and poor supply
- Batton
  - Supply still poor
- PIR
  - Supply ok - on allocation
  - Prices stabilised after multi increases
- Glass insulation
  - Supply ok, on allocation
  - Some price increases
- Market leader on roof windows – service better

Timber – some falling for now

- Carcassing
  - High volumes held at ports / Mills closing / Year end Russia will stop sending timber to EU > Far East
  - UK Prices have dropped rapidly / US now on increase could result in supply switching > Re-supply could be problematic April / May > Prices rebound and increase
- OSB/MDF
  - On allocation; price have slightly fallen (high demand still from kitchens)
- Fence panels
  - Supply ok; prices gone up and stablised
- Commodity doors – supply still very challenging / surcharges on price still

Tools and workwear

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- Tools, power tools and PPE supply better
- Cement mixers and some wheelbarrows extended lead times

10 Tips - summary

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1. Plan forward projects and materials as early as possible with merchant.
2. Take early delivery or ask your merchant to reserve stock of products.
3. If not available ex stock, order products early with a requested date.
4. Please do not put on extra false orders with several merchants.
5. Check if products are on allocation from manufacturers and if it is a large product order check the merchant can supply from their allocation.
6. Longer lead times will cause product pricing issues; tackling this delicate subject with your clients early; agree an adjustment mechanism;
7. If there is a shortage of drivers so collect from branch where you can.
8. Where products are not available quickly enough for your requirements, request from your merchant alternative products.
9. Don’t forget your consumables, so also order early!
10. Please talk to your Merchant’s staff regularly