NFRC
LEADING ROOFING EXCELLENCE

State of the UK roofing industry

Q2 2024

Key findings:

- Continued growth in workload and enquiries
- Optimism about workload in the year ahead remains
- Access to skilled labour remains a challenge for our sector

Prepared by AMA Research, on behalf of NFRC

AMA Research

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Welcome to the State of The Roofing Industry Survey Report

About the Survey

This report is prepared by AMA Research on behalf of NFRC (The National Federation of Roofing Contrators). This report looks at activity during the three months to June 2024. This survey of NFRC members was conducted between 16 July 2024 and 12 August 2024. Over 100 NFRC members responded to the survey.*

About the Author

Sarah Richardson-Clarke is an experienced researcher and Head of Consultancy at AMA Research. Sarah's experience spans multiple sectors, research disciplines and markets. Her specialisms include customer advocacy studies, market and competitor analysis, new product development research and business reporting. In her role at AMA Research, Sarah is responsible for the overall direction of the team's projects and lends her support and expertise to every Consultancy project commissioned by clients.

*Please note that we made some structural changes to the survey in this Quarter. We changed the way in which we categorised the main regions in which firms operate. The regional results should, therefore, be viewed independently of the results of previous quarters but will, from this report forward, be comparable with the next quarter's results. We also made some changes to the way in which we categorise the roles that need to be fulfilled within the sector and the material types that you might be having difficulty in acquiring. The findings of this Quarter's survey are, however, in line with the results of previous surveys; the lists of roles and materials will appear in future reports as they do in the report on the results for this Quarter.

In some cases, the 'balance' percentage may not equal the 'increase' minus 'decrease' percentages due to rounding. Similarly, percentages may not add up to 100% due to rounding or respondents selecting multiple responses.

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NFRC is the largest and most influential roofing trade association in the UK, promoting quality contractors and quality products, ensuring that its members are at the forefront of all roofing developments.

NFRC actively ensures that all members offer high standards of workmanship and sound business practice through a strict code of practice and vetting procedure, including site inspections and adhering to the Government endorsed standards. The Federation also offers technical advice, guidance to facilitate training requirements and represents member interests to the wider construction industry and government.

"Our mission is to provide standards and guidance to our members, which raises confidence among businesses and householders, and promotes roofing as a skilled, professional sector within the wider construction industry."

An introduction by James Talman, NFRC CEO

As the nation settles into a new era of government and the opportunities that this may present to our sector, I am pleased that this **Second Quarter NFRC Members Survey** continues to provide evidence of growth and optimism amongst roofing professionals.

Key indicators on workload expectations, enquiries and employment continue to indicate growth, albeit at a slightly slower pace than we saw in quarter one. The survey results point to growth in workload and demand for our Members services across most sectors and although this is more prevalent in RMI, there are indications of renewed optimism amongst firms involved in the construction of new commercial and residential buildings. The new government has set ambitious new targets for the sector, particularly in new housing. Depending on its progress towards these targets, there is room for optimism for growth opportunities within our sector.

What do the government's commitments to 'kickstart economic growth' mean to our sector?

Housing: the housing and planning pledges, on paper, look to benefit our sector in several ways. First, the new housebuilding target of 1.5m homes in the next five years will potentially help to dampen or even reverse the decline in workload and new enquiries that we have seen over recent quarters.

Planning: the Deputy Prime Minister's pledge to take a 'brownfield first' approach to releasing sites for new development, alongside the release of lower quality greenbelt, or so-called 'grey belt' sites, has the potential to further boost new building activity in the residential sector. This pledge is accompanied by a number of 'golden rules' that developments will need to meet to secure planning permission, including investment in infrastructure such as roads, schools and healthcare.

Skill shortages: our survey results consistently remind us that firms in our sector are challenged by skills shortages. The new government has emphasised the importance of upskilling workers in the UK and improving working conditions, whilst at the same time matching migration to skills shortages in the construction industry as a whole. These plans will take time to come to fruition, so it is likely that our sector will report labour availability as a continuing challenge in our quarterly surveys.

Focus on the next generation of roofing contractors: plans to establish Skills England, a coalition of businesses, training providers and unions with a focus on ensuring that the country has a workforce to deliver the Industrial Strategy, is a further pledge that has the potential to help our sector will its skills shortage challenge in the medium to long term. This will, however, take time to embed and respondents to our survey are unlikely to see the benefits of these pledges in the short-term.

It is encouraging to see that the Government is looking to support the new build housing sector, and we hope that this will be reflected by a long-term commitment to invest in national infrastructure and essential insulation measures in domestic retrofit. Following the recent publication of the Grenfell Tower Inquiry Phase 2 report including the recommendations to Government, this is likely to place even greater demands on existing member resources. We have been preparing the ground for anticipated regulatory changes which we wish to ensure enhances NFRC members as recognised professionals in their field. We will continue to press the new Government on prompt payment and the end to the outdated practice of retentions which are continuously raised in our member surveys.

James Talman
NFRC CEO

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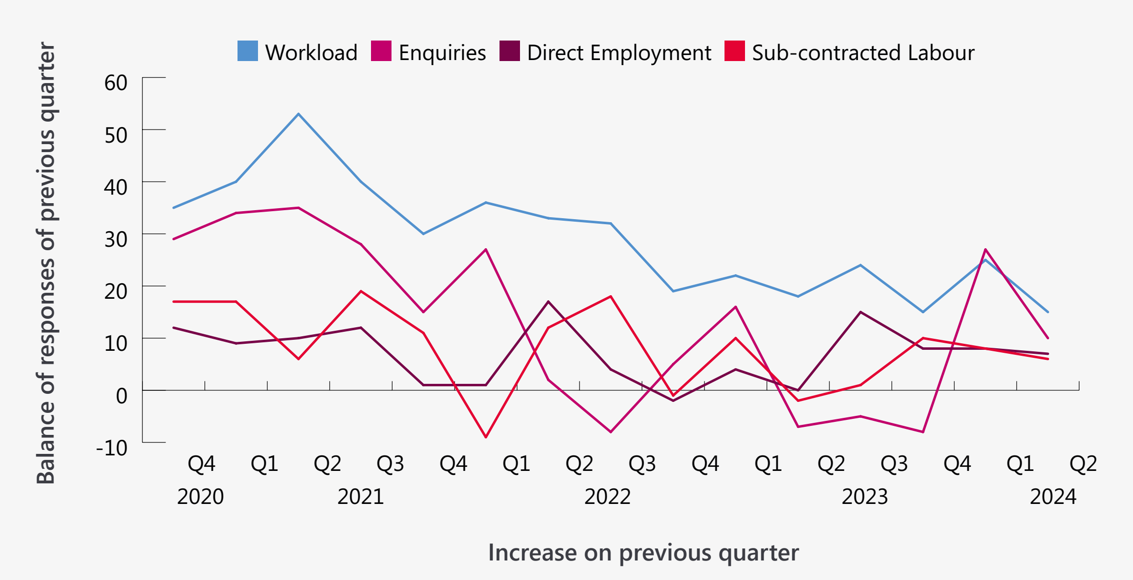
Key Indicators

Key indicators for the roofing sector remain positive in Quarter 2 of this year, although there are signs of a slight slowdown in growth and new enquiries. During this period, the country was awaiting the result of the General Election, economic growth remained relatively stagnant, and the Bank of England maintained interest rates at 5.25 per cent. A balance of 15 per cent of respondents reported overall growth in workload in the second quarter of this year, compared with 25 per cent in the previous quarter. 38 per cent of roofing contractors reported an increase in workload compared with the previous quarter this year, although the proportion of those seeing a decline in workload increased from 16 per cent to 23 per cent in the second quarter of 2024.

39 per cent of firms also reported growth in new enquiries for work in Quarter 2, although 29 per cent saw a fall, equating to a balance of 10 per cent growth during this period and lower than the balance in the first quarter of this year. Both direct headcount and subcontracted labour levels increased in Quarter 2 this year, with growth levels remaining similar to those reported in the first quarter, at 7 and 6 per cent, respectively.

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 continues to increase at an overall level, with some sectors experiencing stronger growth than others. Of those operating in the New Residential building sector, one-third (33 per cent) reported a decline in workload in the second quarter of 2024, compared to the previous quarter this year. The proportion of firms reporting growth in workload in this sector is lower than for others but has increased from 17 per cent to 25 per cent on the previous quarter. This has resulted in a balancing figure of -8 per cent – an improvement of +4 per cent on the previous quarter.

When considering the same period in 2023, respondents report a balanced increase in workload across all sectors, with the exception of New Residential. Firms operating in the Commerical RMI sector saw the highest growth in workload, with 42 per cent of those operating in this sector reporting an increase in workload in comparison with the same period last year.

Firms saw an overall balanced increase in enquiries of 10 per cent in the second quarter of this year, lower than levels seen in the previous quarter, but still a positive indication of growth in the sector. The balance of new enquiries was strongest in Commercial RMI (16 per cent) and Public non-residential RMI (13 per cent). With the exception of New Residential, firms operating in other sectors reported modest balanced growth in new enquiries in Quarter 2 of this year

In comparison with new enquiries in the same quarter 2023, increases were reported in the RMI sectors, with enquiries for new building roofing work either reducing or remaining at a similar level. A balance of 12 per cent reported an increase in enquiries for Domestic RMI, 20 per cent in Commercial RMI, and 23 per cent in the Public non-residential RMI sectors, compared with the second quarter of 2023.

Chart 2: Workload by Sector

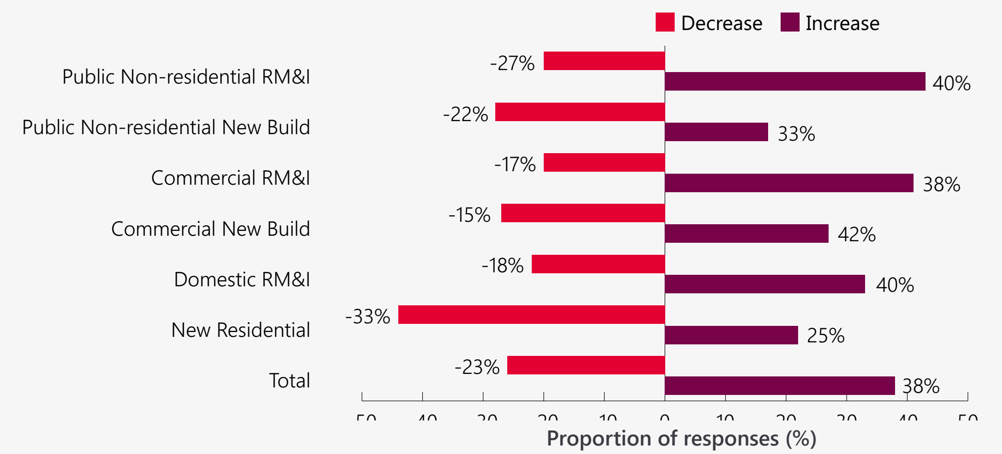
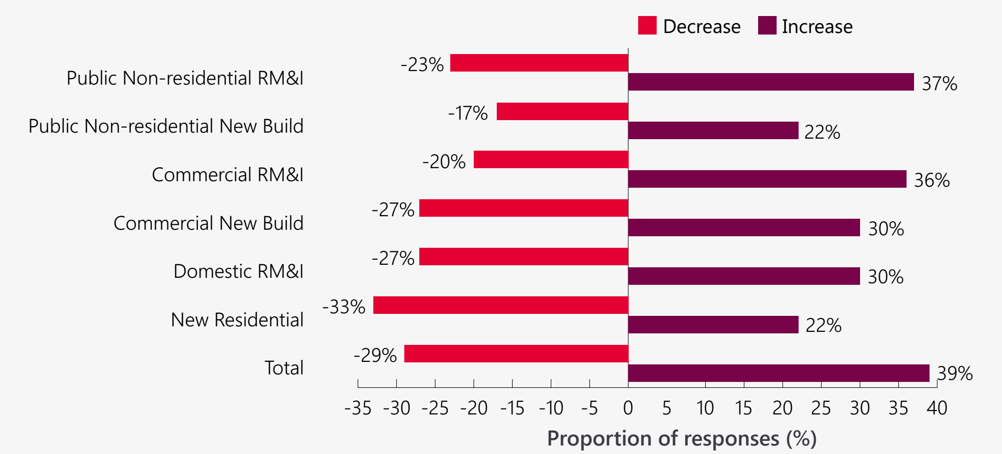


Chart 3: Enquiries by Sector



Workload and Enquiries by Region

Firms operating UK-Wide reported the strongest growth in workload in the second quarter of this year, with over one-half seeing an increase in workload compared to the workload in the first quarter. Those operating in the Midlands and the North West saw their workload grow by a balance of 20 per cent. Respondents in the South West and London & Southern Counties reported balanced growth of 18 per cent and 17 per cent, respectively. In comparison with the same period last year, most firms reported growth in workload, ranging from 40 per cent in the Midlands, to 10 per cent in the North West. Those operating in Scotland and Wales reported a balanced decline in workload compared to the same period in 2023 (14 per cent and 33 per cent, respectively).

The second quarter of 2024 saw a balanced increase in enquiries of 10 per cent. Regionally, 38 per cent of those operating UK-Wide reported a balanced increase in the level of new enquiries compared to the first quarter of the year. In contrast with the previous quarter, those operating in Yorkshire & North East reported a decline in enquiries in quarter 2. With the exception of London & South East, Wales and Yorkshire & North East, all regions reported a balanced increase in enquiries in the second quarter of this year. Firms operating in most regions also report a balanced increase in enquiries compared to the same quarter in 2023, with the exception of those whose main region of operation is Yorkshire & North East.

Chart 4: Workload by Region

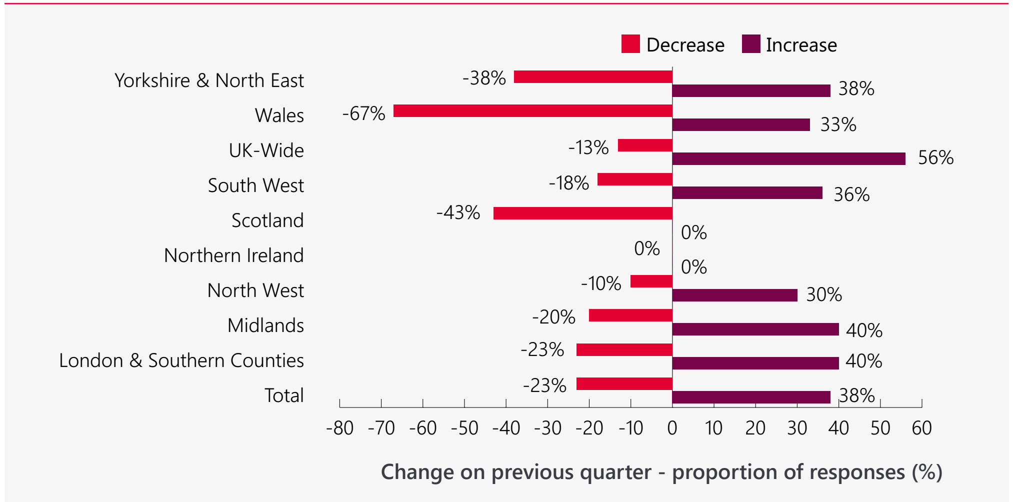
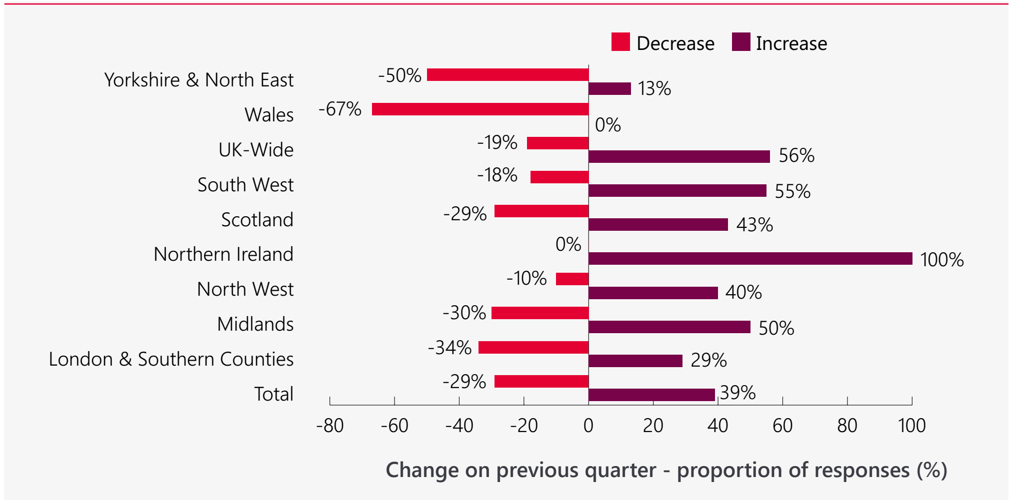


Chart 5: Enquiries by Region



Employment Skills and Shortages

Skilled labour recruitment challenges persist in the second quarter of 2024. A balance of 50 per cent of respondents report an increase in difficulty of recruiting skilled labour in the second quarter of this year – an increase from 44 per cent in the previous quarter. Those in the Commercial new building (55 per cent) and Public non-residential new building (56 per cent) sectors found it more difficult than respondents in other sectors to recruit in the second quarter of 2024.

Total headcount in terms of both direct and sub-contracted labour remained stable in this quarter, with similar levels reporting a balanced increase in employment of both direct and sub-contracted labour as seen in the first quarter of this year. Quarter-on-quarter, we are seeing a persistent trend in challenges around the recruitment of tilers and slaters. Around two-fifths of firms again report these as the main areas of skills shortages in the second quarter of this year.

Chart 6: Labour Indicators

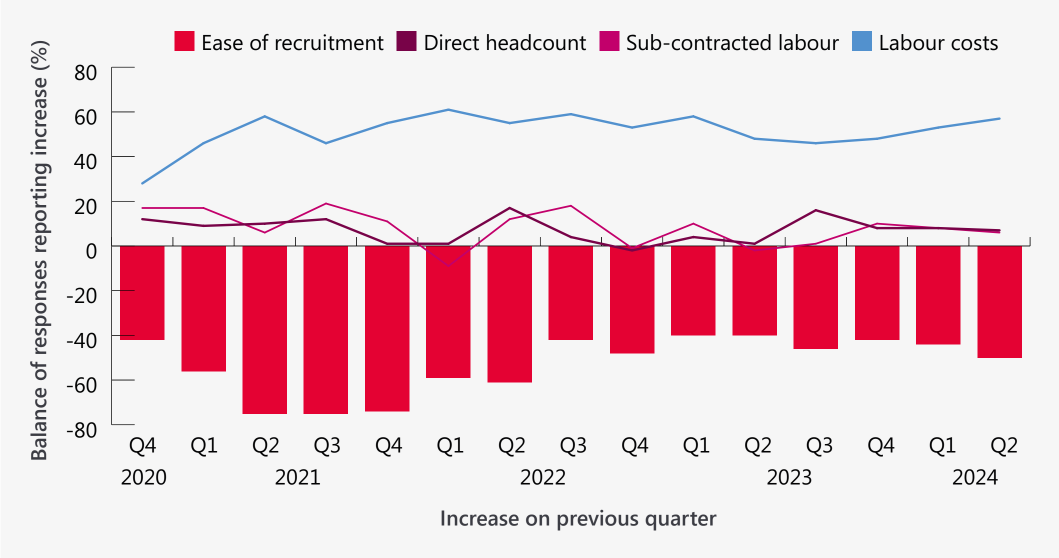
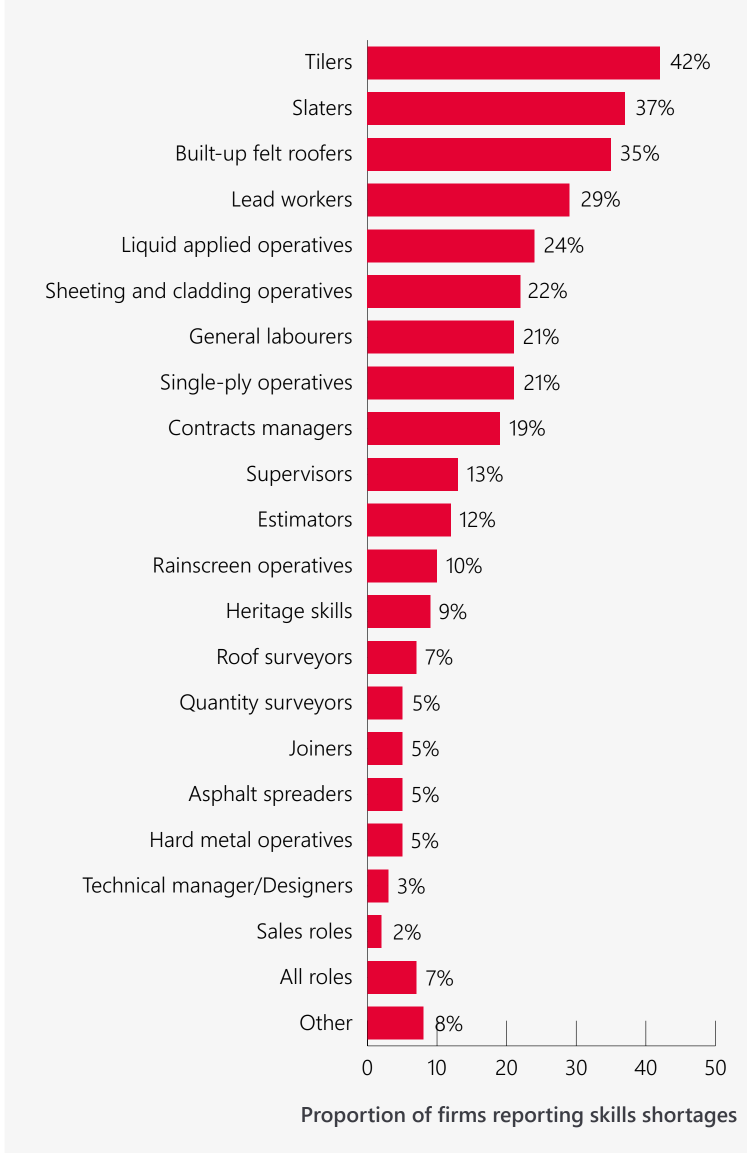


Chart 7: Areas of Skills Shortage



Costs, Prices and Materials Availability

On balance, 6 per cent of respondents reported that materials were easier to acquire in the second quarter of this year compared to the first. 16 per cent of firms found the acquisition of materials easier than in the first quarter, although this was somewhat offset by an increase in those finding materials acquisition more difficult. As seen in the first quarter of this year, firms report slates and various types of tiles as being the most difficult materials to acquire. A balance of 48 per cent report higher prices in quarter 2 this year, compared to 55 per cent in the first quarter, perhaps indicating the price inflation pressures are beginning to subside, albeit marginally.

Labour costs continue to rise in this quarter, a trend that has been evident in recent quarters. As skills shortages continue to challenge our sector, this trend is expected to continue.

Chart 8: Cost Pressures

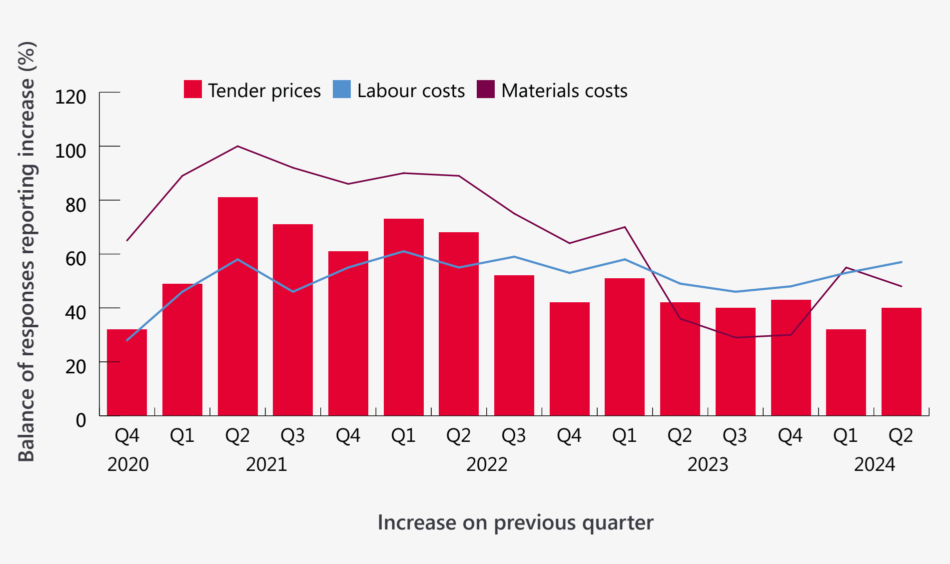
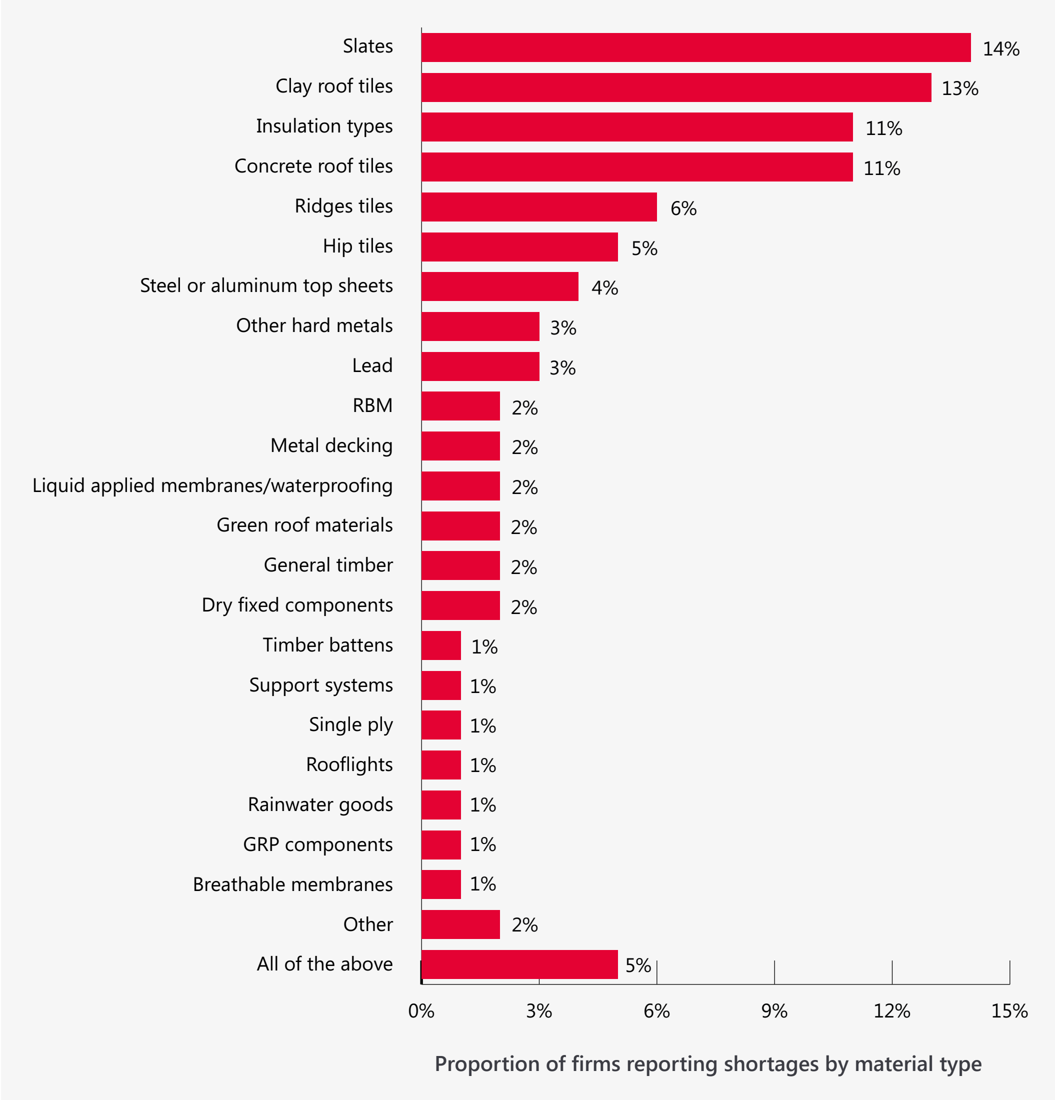


Chart 9: Material Shortages



Market Expectations

Around one-half (48 per cent) of roofing contractors expect workload to increase in Quarter 3, 2024 and the same proportion of firms also expect that their workloads will increase over the next 12 months, with just 15 per cent expecting this to decline. Despite declines in workload and enquiries in quarter 2, those operating in the New Residential sector expect that their workloads will increase in the next 12 months, perhaps driven by optimism that the new government may generate growth in new residential building work. Expectations around increases in workload over the next 12 months are the most optimistic in the Commercial New Build and Public non-residential RMI sectors, in which 58 per cent and 50 per cent, respectively, anticipate an increase.

Regional expectations of workload changes over the next 12 months are variable but most expect growth during this period.

Chart 10: Market Expectations – 12 months

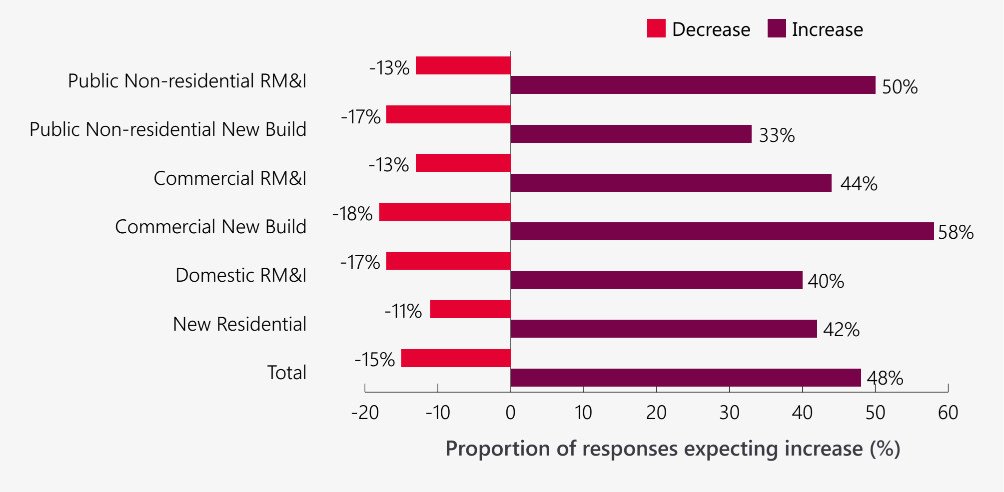
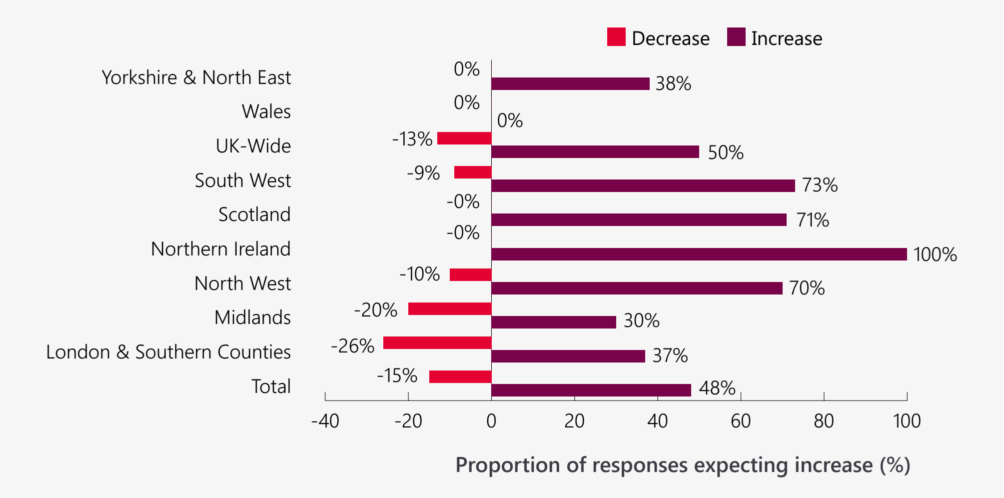


Chart 11: Market Expectations by Region – 12 months



Payment Terms

As seen in the first quarter of this year, late payment of due accounts remains an issue. In the second quarter of 2024, 90 per cent of firms reported their agreed payment terms as 45 days or less, whereas just 71 per cent reported having received payment during this period. Around one-fifth report payments being received within a 60-day period, with just a small proportion receiving settlement after 60 days.

Chart 12: Payment Terms and Periods

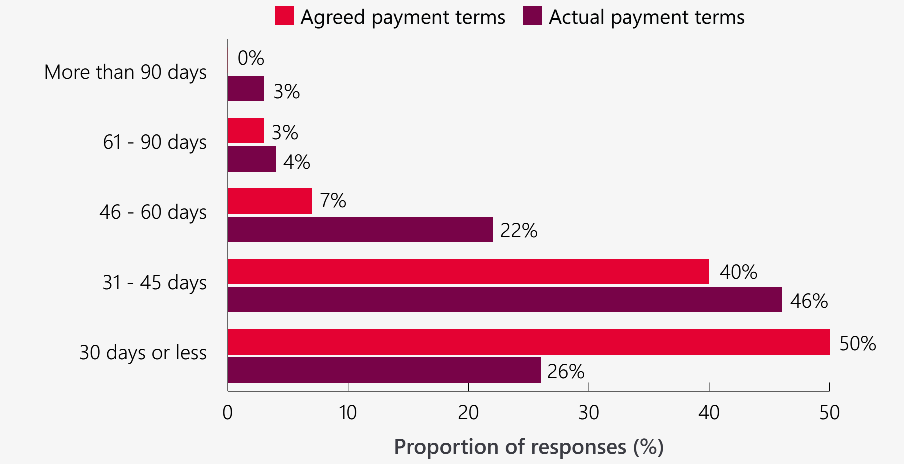
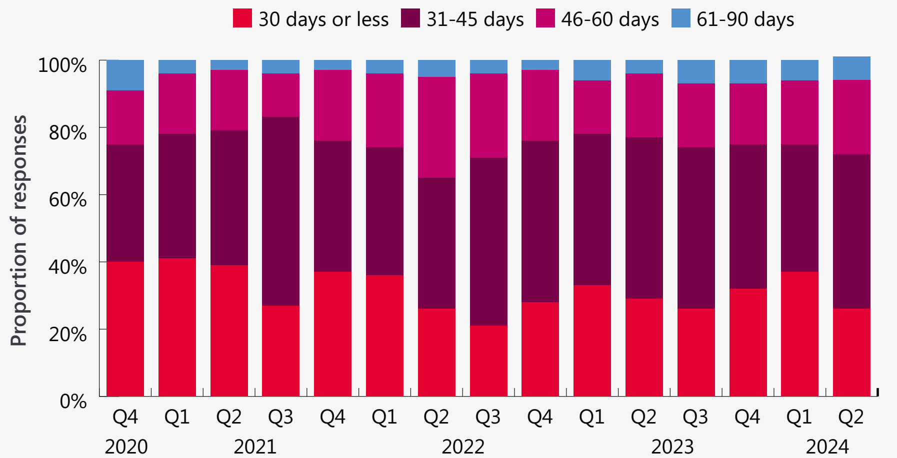


Chart 13: Actual Payment Period



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AMA Research is proud to have partnered with NFRC to produce this State of the UK Roofing Industry report.

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