

State of the UK roofing industry

Q1 2024

Key findings:

- Workload and enquiries grew.
- Decline in the use of sub-contracted labour.
- Material price inflation strengthened significantly.

Prepared by AMA Research, on behalf of NFRC

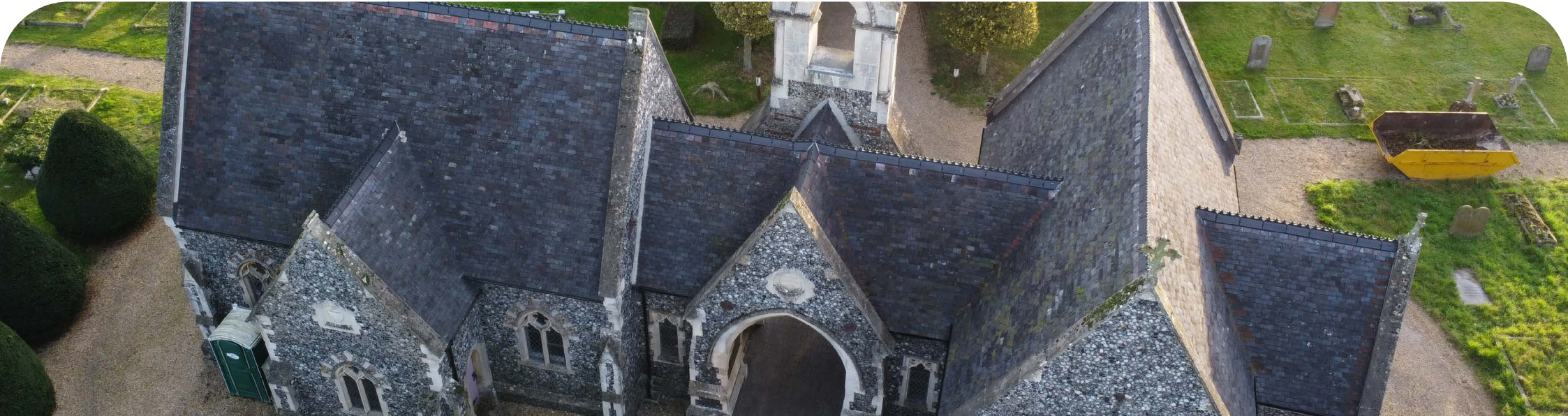


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Welcome to the State of The Roofing Industry Survey Report

About the Survey

This report is prepared by AMA Research on behalf of NFRC (The National Federation of Roofing Contractors). This report looks at activity during the three months to March 2024. This survey of NFRC members was conducted between 21 March 2024 and 5 April 2024. 151 NFRC members responded to the survey.

About the Author



Shaheena Ahmed is an experienced researcher and consultant at AMA Research specialising in business development and marketing, supply chain management, and new product development. She assists clients in acquiring valuable insights, collecting competitive data, and formulating strategic decisions to foster innovation and expand their businesses.

Shaheena's experience includes analysing competitors, evaluating purchasing processes, and improving supply chains. She also assists in the development and launch of new products and services through feasibility studies and strategic guidance.

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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 gears up for the general election on 4 July, and trade and other professional bodies launch their manifestos, I am delighted that this **First Quarter NFRC Members Survey** provides evidence of a sector which is projecting **positive news**.

Generally, all key indicators on workload, enquiries and employment are showing signs of green shoots from previous quarters. **Whilst one should sound a note of caution that these are early days, why is our sector bucking the trend of general and sector-based construction surveys?**

Roofing is a broad-based construction activity – nearly every building needs a roof. The survey clearly points to overall demand increasing significantly from our last quarter's results - so whilst sectors such as new house building are still in decline this is offset by the growth in RMI in the public non-residential and commercial sectors.

It is encouraging to note that our members in the new build housing sector are seeing some signs of improvement in enquiries from a weak end of 2023. The outlook across the UK is optimistic apart from the Midlands which may reflect a higher exposure to new housing developments.

On the supply side it is pleasing to note the continued improvement in product availability and most importantly in employment levels. Skills shortages remain across core sectors in pitched and flat roofing.

Member liquidity continues to be impacted by late payment. There are small signs of improvement with an increase of members on 30-day terms but concerningly less than 60% being paid within these terms.



James Talman

NFRC CEO

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So, what are the messages coming from this survey to the Government and all those bidding to be the next in office to support these green shoots?

- Public Sector support this positive outlook by long term commitment to the National Infrastructure and Construction Pipeline.
- We support measures across the residential sector to tackle the housing crises in both social and private delivery. For our sector to invest in required skills and innovation, it is essential to iron out supply side fluctuations related to planning, land development and procurement practices which impact our members.
- Accelerate the process of incorporation and enhancement of competent persons schemes into the Building Safety Regulator under the HSE. These schemes are crucial to supporting local authorities in delivering Net Zero RMI along with their added responsibilities under the Building Safety Act.
- Turn up capital allowances on commercial/industrial building fabric enhancements and broaden scope. A large amount of this sector has roofs that need upgrading to meet thermal efficiency demands required for Net Zero.
- Use the evidence from the revised Reporting on Payment Practices and Performance (Amendment) Regulations 2024 along with the publicised intention to add additional reporting on retention policies, payments and sums withheld, to improve public procurement practices and support SMEs.
- Support the Construction Leadership's skills priorities concerning a universal approach to card recognition of relevant sector competence through qualifications, approved assessment routes and ongoing upskilling to support those in the workforce who have invested in their talent.

In conclusion a message to any young person considering a career or those considering a career change reading this survey. Consider our sector, it pays well, it has both traditional and innovative career paths, it is ever improving in its professionalism and inclusion, and it is an industry with a long-term future as it delivers key measures in tackling climate change.

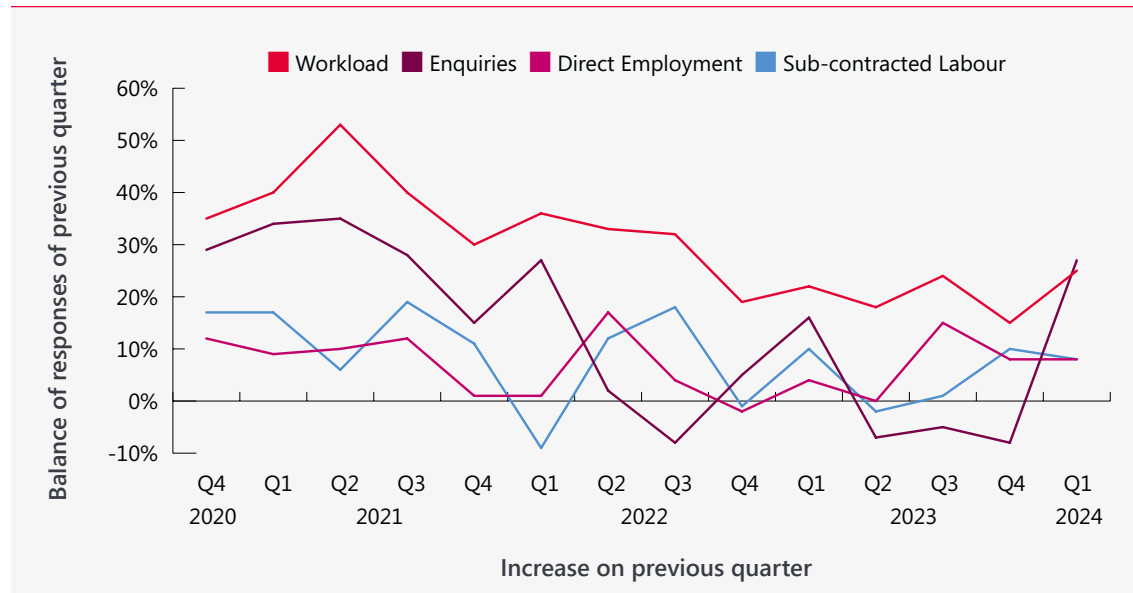
Key Indicators

Overall roofing contractors' workload grew significantly during the first quarter of 2024. A balance of 25 per cent of respondents saw a rise in workload over the first quarter, compared to a 15 per cent balance seen in the previous quarter. 41 per cent of firms reported a rise in workload on the previous quarter, while only 16 per cent saw a decline. Workload was higher than a year ago, with 45 per cent of firms reporting an increase against 17 per cent seeing a decline.

Enquiries increased in the first quarter, with 42 per cent of firms reporting an increase compared to 15 per cent reporting a fall from the previous quarter. Enquiries were also up on a year ago with 42 per cent reporting an increase against 18 per cent seeing a decrease. Employment levels increased over the first quarter, with 25 per cent of firms increasing their headcount against the previous quarter while 17 per cent reported a decline.

The first quarter saw a decline in the use of sub-contracted labour. While 20 per cent of firms employed more sub-contracted labour over the quarter, this was down from 26 per cent in the previous quarter. 12 per cent of respondents reported decreased usage of sub-contracted labour during the first quarter. Comparing to the previous quarter's report, where workload and employment levels also increased, it appears that the growth trend has continued into the first quarter of 2024. However, the decrease in the use of sub-contracted labour may indicate a slight shift in labour needs among roofing contractors.

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 rise, with 41 per cent of roofing contractors reporting an increase compared to the fourth quarter of 2023, while 16 per cent saw a decline. Roofing contractors reported a rise in workload across most sectors, except in New Build Residential, where a persistent downturn was observed. Public Non-residential RM&I and Commercial RM&I sectors experienced the most significant growth, with positive balances of 34 per cent and 32 per cent, respectively.

In contrast, activity in the New Residential sector continued its decline during the first quarter. Only 17 per cent of firms reported an increase, while 29 per cent reported workload was down on the previous quarter. This resulted in a negative balance of -12 per cent, indicating a deepening of the trend observed since the third quarter of 2023, when the balance stood at -10 per cent.

Enquiries have significantly increased in the first quarter. Domestic RM&I enquiries have strengthened quarter on quarter since the third quarter of 2023, with 44 per cent of firms now reporting an increase, and only 13 per cent reporting a decline. Enquiries for the Commercial New Build sector improved in the first quarter, with 38 per cent of respondents reporting an increase in enquiries (only 11 per cent reported an increase in the previous quarter). Although New Residential enquiries remain weak, there has been an improvement from the previous quarter, which shows the situation is beginning to improve here.

Chart 2: Workload by Sector

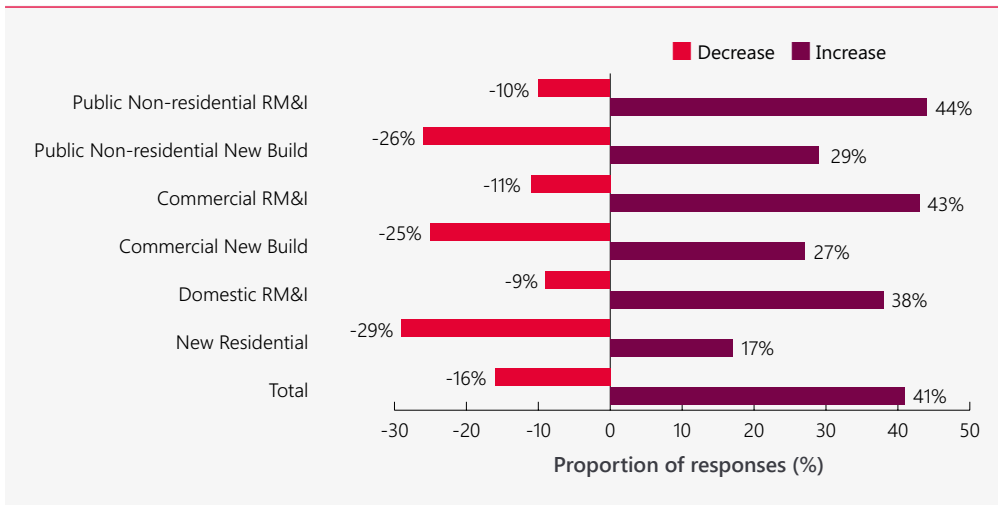
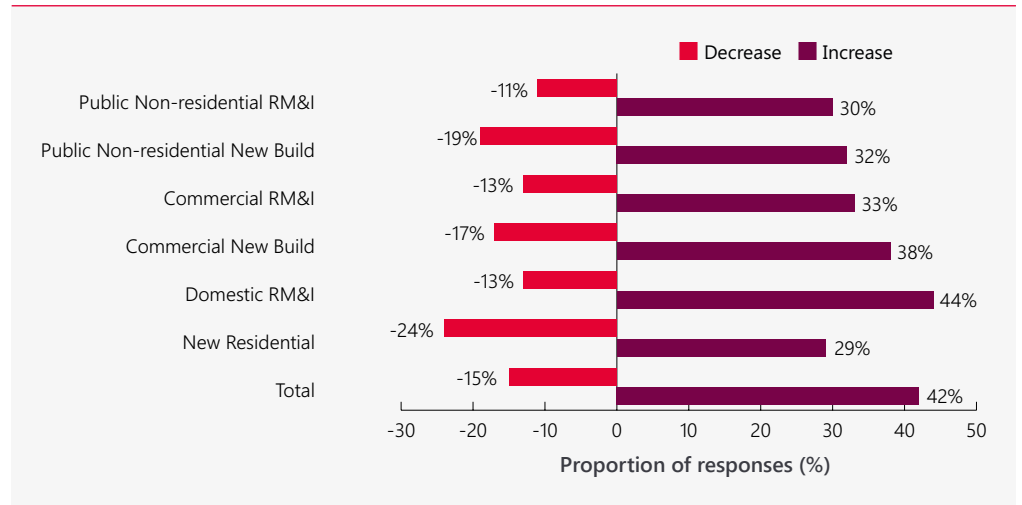


Chart 3: Enquiries by Sector



Workload and Enquiries by Region

Roofing contractors operating in Scotland saw the strongest rise in workload in the first quarter of 2024, with 56 per cent of contractors reporting a rise, compared to 22 per cent reporting a decrease. Similarly, the Yorkshire and North East regions demonstrated notable growth, with 43 per cent of contractors reporting an increase in workload and none reported a decrease.

On the other hand, the South West and Wales experienced challenges during the first quarter. In the South West, while 37 per cent of contractors reported a rise in workload, a significant proportion of 26 per cent reported a decrease. Similarly, in Wales, half of the contractors reported a decrease in workload, with the other half reporting no change, resulting in a negative balance of -50 per cent.

In terms of new enquiries, there are positive signs indicating a strengthening of workload across regions in the coming months. The South West saw significant growth, with 56 per cent of contractors reporting an increase and 19 per cent reporting a decrease in enquiries. Roofing contractors operating in London & Southern Counties, Yorkshire and North East and North West regions equally reported a 50 per cent increase in enquiries, with none reporting a decline in the North East or Yorkshire and North East, regions. Contractors operating in the Midlands experienced the weakest level of new enquiries, with 25 per cent of contractors reporting a decrease in enquiries, and only 13 per cent reporting an increase.

Chart 4: Workload by Region

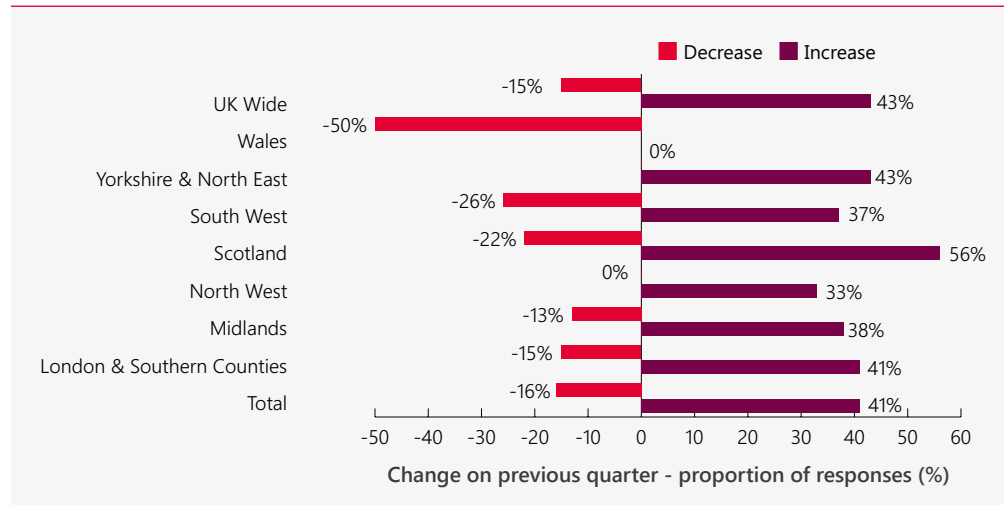
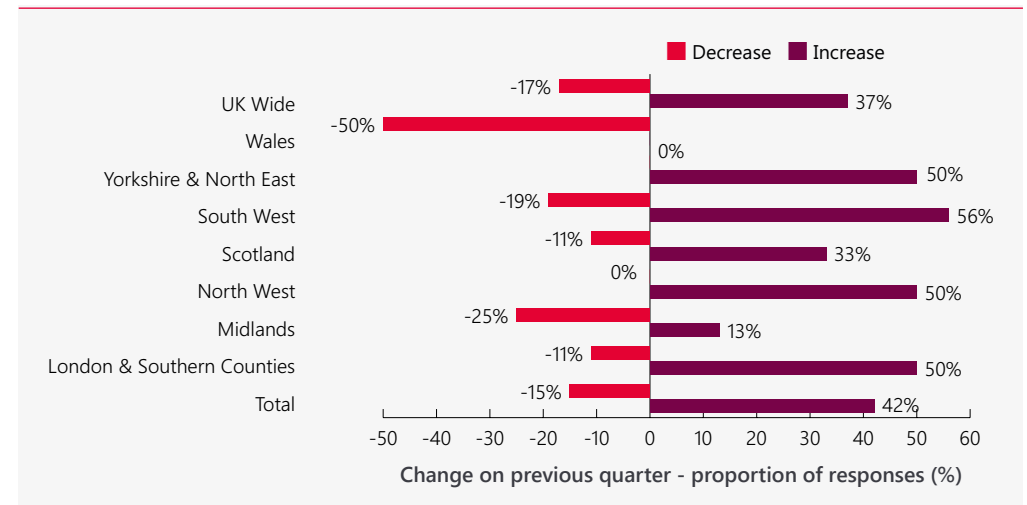


Chart 5: Enquiries by Region



Employment and Skills Shortages

During the first quarter of 2024, staff recruitment challenges persisted and increased compared to the previous quarter. 53 per cent of firms experienced greater difficulty in recruiting suitable labour in the first quarter: A notable increase from the 44 per cent reported in the fourth quarter of 2023. Only 9 per cent reported an improvement in recruitment conditions.

Although overall employment levels remained stable in comparison to the previous quarter, with 25 per cent of firms increasing their direct headcount and 17 per cent reporting a decline, there was an equal balance in the proportion of firms experiencing growth and decline, mirroring the previous quarter's employment levels. Recruitment was strongest among firms operating in the Commercial New Build and New Residential Sectors.

The use of sub-contracted labour witnessed a decline in the first quarter compared to the previous quarter, with only 20 per cent of firms using more, and 12 per cent reducing their use of sub-contracted labour during the quarter. Roof Slater and Tiler emerged as the most challenging role to fill, with 40 per cent of firms encountering recruitment issues in this area. Additionally, widespread shortages were reported for tilers, slaters, and lead workers, reflecting a persistent trend in the industry's labour market challenges.

Chart 6: Labour Indicators

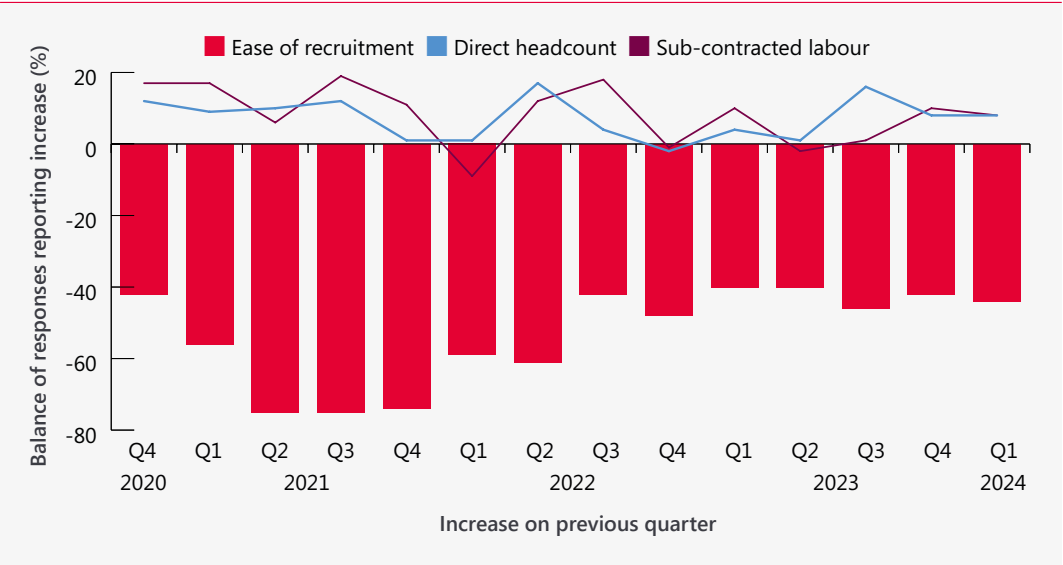
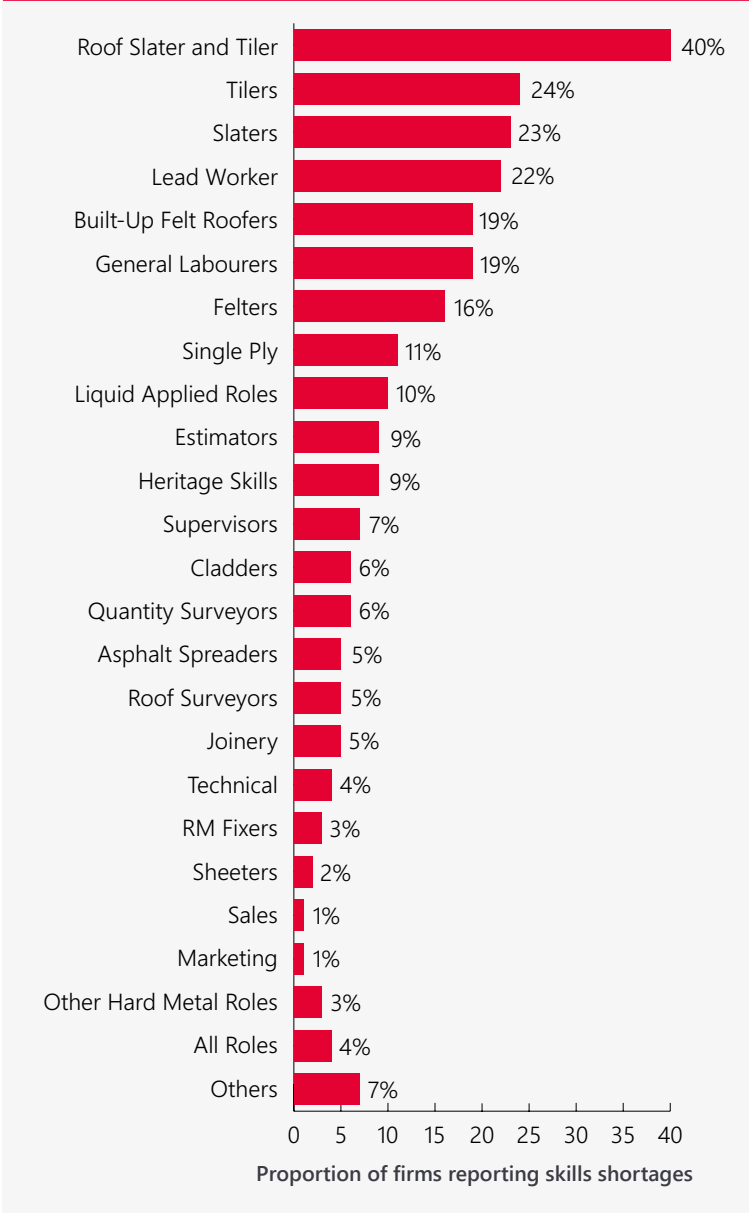


Chart 7: Areas of Skills Shortage

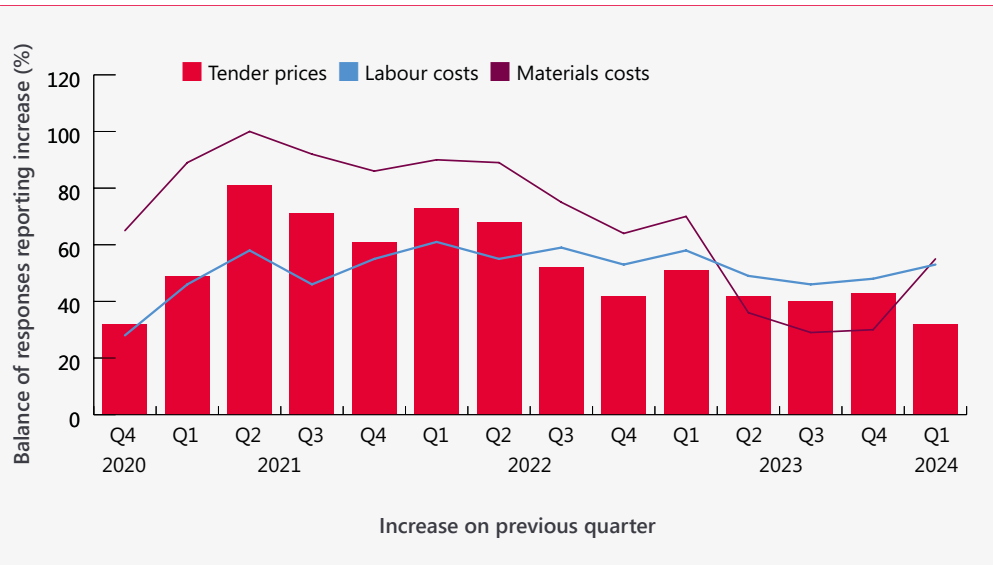


Costs, Prices and Materials Availability

Materials availability has continued to improve in the first quarter, with 25 per cent of firms reporting greater ease in securing materials during the quarter and just four per cent of firms experiencing greater difficulty.

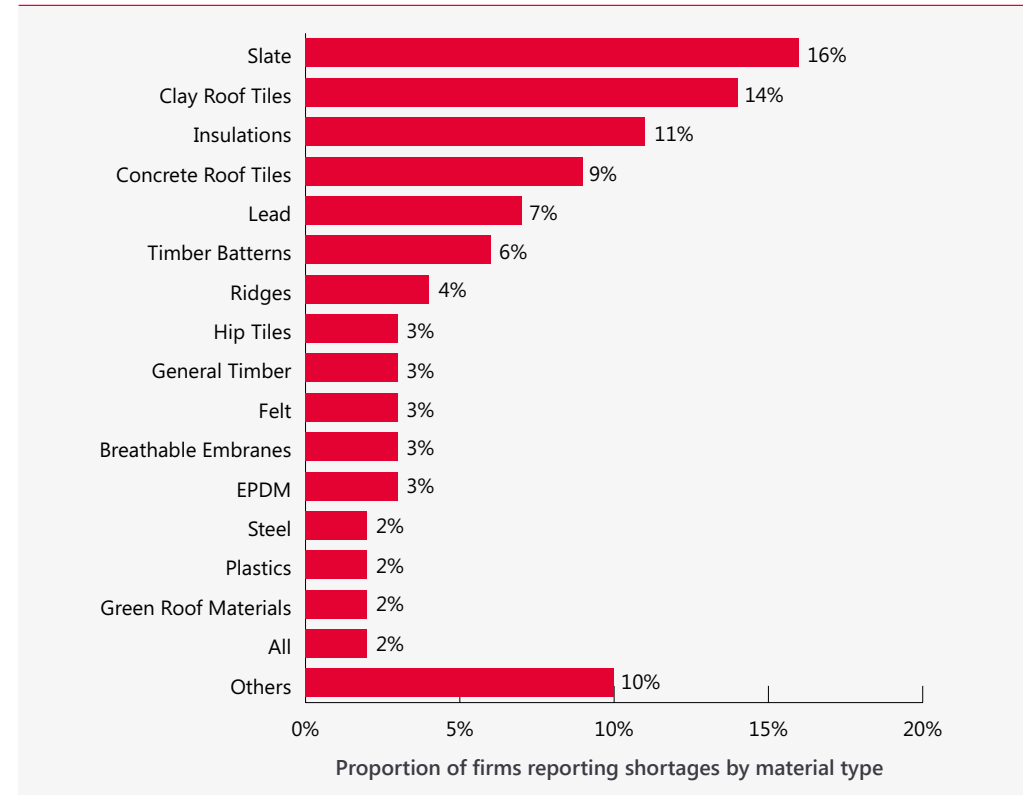
Shortages of slate were most widespread, with 16 per cent of firms reporting difficulty in sourcing. Clay roof tiles and insulations were reported as being in short supply by 14 per cent and 11 per cent, respectively of firms. Only 2 per cent of respondents reported difficulty in obtaining all types of materials. Material price inflation has strengthened significantly compared with the previous quarter, with 58 per cent of firms reporting higher material cost during the first quarter of 2024. However, is still lower compared to material prices against a year ago. Only 4 per cent of firms reported a fall in material prices.

Chart 8: Cost Pressures



Labour costs continue to rise in the first quarter, with 57 per cent of firms reporting an increase in wage costs, up from 50 per cent of firms that reported an increase in the previous quarter, suggesting an upward trend. Only 4 per cent reported a decline in labour costs. Tender prices saw a significant rise, with 42 per cent of roofing contractors reporting an increase in their tender prices during the first quarter, up from 29 per cent in the previous quarter. 10 per cent saw a fall. Higher tender prices were most widespread in the public non-residential new build sector.

Chart 9: Material Shortages



Market Expectations

Overall, over half the of roofing contractors expect workload to increase during the next quarter, and the majority anticipate an increase over the next 12 months. A small proportion of roofing contractors, 4 per cent, expect their workload to decrease during the next quarter, while 58 per cent expect their workload to rise during the next quarter.

Looking further ahead, a significant increase in workload is anticipated over the next 12 months, with only 8 per cent anticipating a decline while the majority of firms (72 percent) expect an increase. Public Non-residential New Build is expected to be the fastest growing sector over the next 12 months with 62 per cent of firms anticipating that their workload will increase against 24 per expecting a decrease.

In comparison to the previous quarter, a larger proportion, 57 per cent, of firms operating in the Public Non-residential RM&I sector expect workload to grow over the next year 12 months against 15 percent anticipating a decline. New Residential is expected to be the weakest sector over the next twelve months.

Workload expectations vary regionally. Firms operating in the Midlands and South West continue to be the most positive about workload over the next twelve months. On the other hand, firms operating in Wales and nationwide have widespread expectations of a decline in their workload.



Chart 10: Market Expectations – 12 months

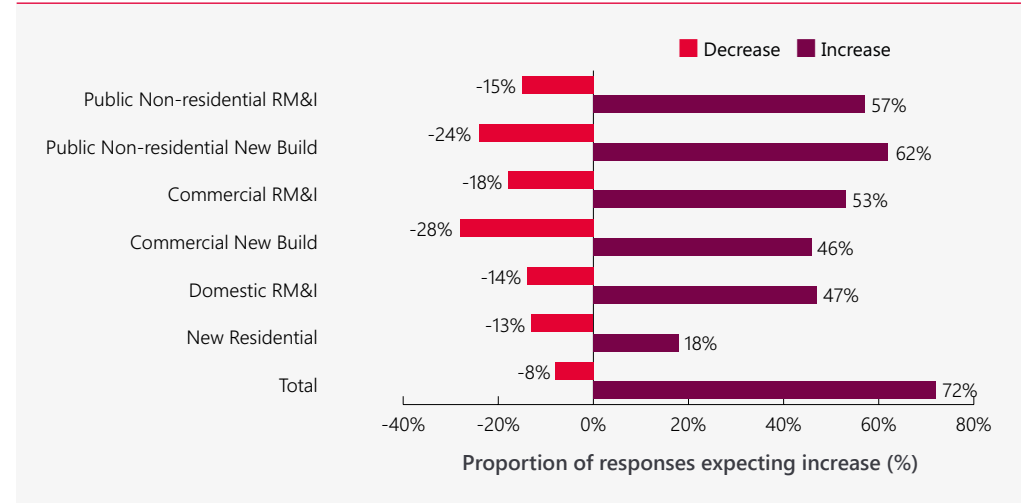
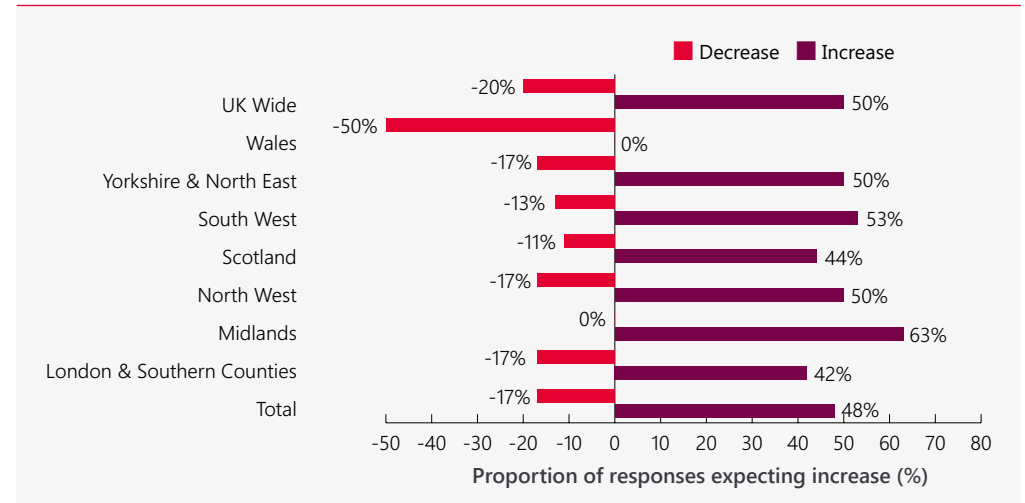


Chart 11: Market Expectations by Region – 12 months



Payment Terms

Late payment of due accounts continues to remain widespread, however there appears to be an improvement since the previous quarter.

Over half of firms (57 per cent) reported that their average contractual payment terms agreed with their clients were 30 days or less. While only 37 per cent of firms were paid within that period, this is up from the 32 per cent reported in the previous quarter.

A similar picture was reported by firms with longer payment terms. For example, while 11 per cent of firms had payment terms of 46 days or more, 25 per cent of respondents reported that this was the average time that they had to wait for payment.

Chart 12: Payment Terms and Periods

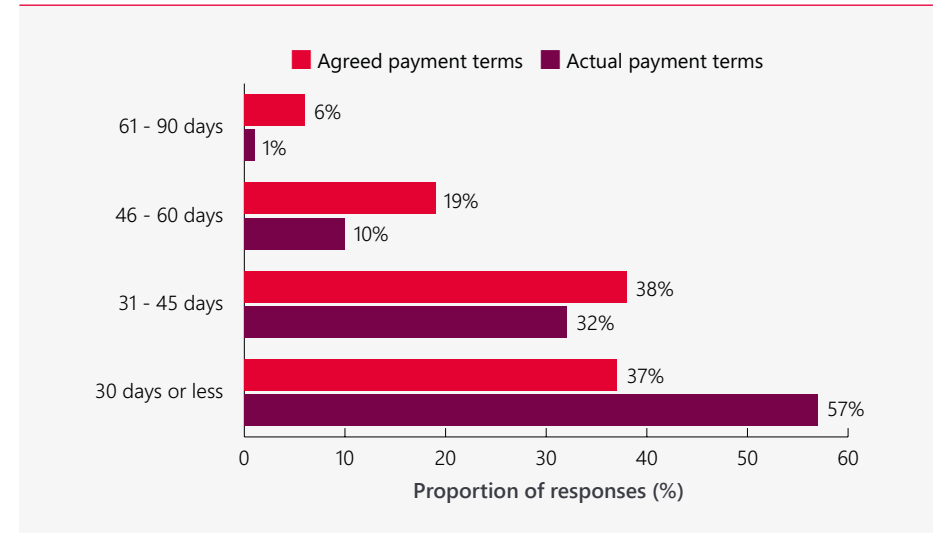
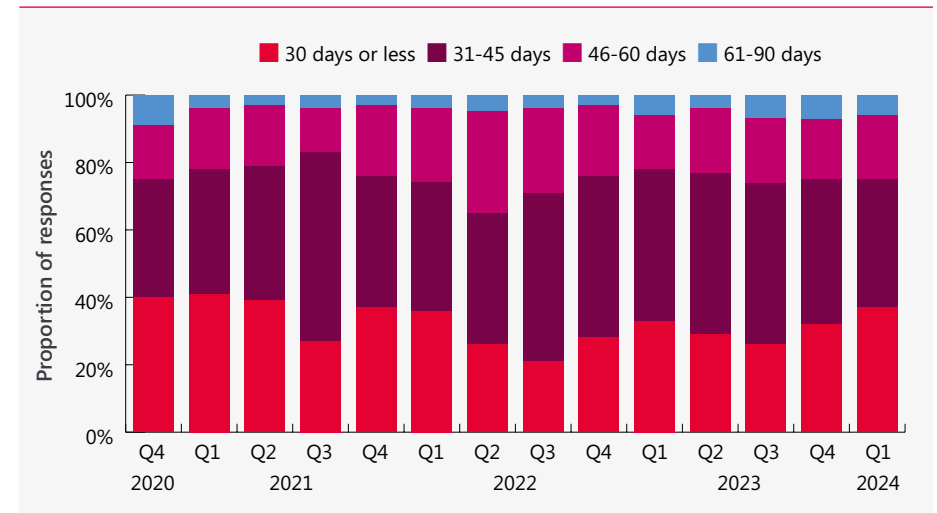


Chart 13: Actual Payment Period





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