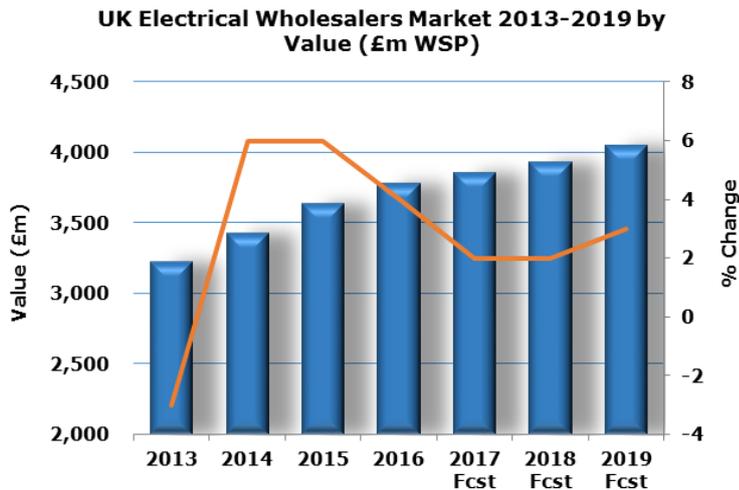




PRESS RELEASE

UK electrical wholesale market to grow by 14% over the next 5 years

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In 2016, the electrical wholesalers market was estimated to have grown by 4% compared with 2015. Following a period of consistent growth since 2013, supported by a strengthening economy and improved construction output, growth is estimated to have slowed in 2016 as uncertainty about the impact of 'Brexit' constrained construction output, raw material prices declined, and Government austerity measures continued to restrain public sector markets. These factors are expected to continue to limit the market growth somewhat in 2017/18.

There are plenty of factors supporting the market however, including growth in specialist markets, product development, demand for additional services and non-core products, and evolving legislation leading to a requirement for higher specification and new products, in addition to an improving economic and construction background and improved consumer confidence. Wholesalers' margins have also continued to improve over the past 2-3 years.

Factors currently affecting market growth negatively include continued public sector budget constraints, uncertainty over the outcome of a Brexit process, price competition with many products in the mature phase of their life cycle, threat from competitive channels and longer product life-spans reducing the replacement market. The decision to significantly reduce Feed in Tariffs, is also impacting negatively on the renewables sector, a market that had offered good potential to wholesalers.

Cables and lighting remain the largest product sectors within the electrical wholesale market, accounting for almost 50% of the value of products sold. Product sectors experiencing relatively good performance in the current market include electrical accessories such as cable systems, circuit protection and wiring accessories as well as lighting and newer product areas such as smart control and automation, with product development primarily driven by environmental concerns, renewable energy issues and energy efficiency, motivating demand for more efficient products and more sophisticated control and testing equipment.

Electrical wholesalers remain market leaders in the distribution of electrical products and are particularly strong in core product areas such as electrical accessories and lighting equipment. Whilst the wholesalers' share of lighting is currently marginally down on historical levels as newer LED technology has a higher proportion of direct sales, this is unlikely to be a long-term trend, with wholesalers expanding LED ranges and gaining knowledge and experience in the field.

"The electrical wholesaler market continues to be dominated by three large companies, which together account for the majority share of the market" said Keith Taylor, Director of AMA Research. "However, some newer entrants to the electrical wholesaler market, which offer a multi-channel approach coupled with more transparent pricing, have seen rapid share growth in recent years, and could potentially threaten the hold of the 'Big three' in the future."

The wholesalers also face significant competition from the direct sales and specialist distributor channel, as well as internet retailers, merchants and electronic component distributors.

The electrical wholesaler market is expected to continue to grow in the short to medium term, although at a more modest rate, with current forecasts for construction output more cautious due to the uncertainty of the outcome of Brexit and continued restrictions in the public sector. From 2017, average growth levels of 2-3% per annum, with overall growth between 2016-2021 of 14%, is forecast. Obviously, the withdrawal from the European Union will have an impact on the overall economy and the construction industry, though quite what this impact will be remains to be seen. Price increases will also have an impact.

Going forward, electrical wholesalers are expected to continue to widen product portfolios, introduce additional value-added services and embrace e-commerce to become more flexible and remain competitive. The development of niche product sectors will provide an opportunity to add value and differentiate on a basis other than cost, reducing price sensitivity.

The '**Electrical Wholesale Market Report – UK 2017-2021 Analysis**' report is published by AMA Research, a leading provider of market research and consultancy services with over 25 years' experience in the construction and home improvement markets. The report is available now and can be ordered online at www.amaresearch.co.uk or by calling 01242 235724.

Editors Note:

If you would like to receive more information on the report, or would like to speak to the author, then please contact Anna Eriksson or Keith Taylor on 01242 235724.

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