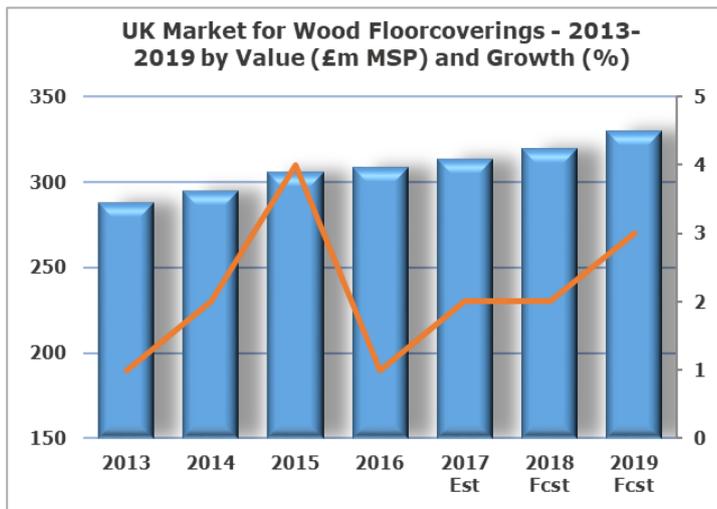




PRESS RELEASE

Brexit uncertainty likely to limit growth in the UK wood floorcoverings market

December 2017 – Cheltenham, UK



The UK wood floorcoverings market has a high level of import penetration, and is therefore highly susceptible to fluctuations in exchange rates. As such, it was impacted by the downward movement of Sterling following the 2016 Referendum. Prior to this, the market had been showing good growth, increasing by 6% between 2013 and 2015. While signs at the start of 2016 were positive, the climate of uncertainty surrounding the Brexit issue and the competition from LVT meant that growth for 2016 slowed to 1%. Estimates for 2017 show value growth of around 1-2%.

Source: AMA Research Ltd/Trade Estimates

Wood floorcoverings are now marginally the second largest floorcoverings sector in the UK, currently accounting for an estimated 16% of the market in value terms, a share which has fallen only slightly since it peaked at 17-18% in the 2004-07 period. The main competition has been the vinyl sector with increasing popularity of LVT in both domestic and contract providing significant competition for some wood floorcoverings products.

Market trends have generally been positive since 2011, with growth strengthening until 2016, buoyed by rising consumer confidence as the economy improved and by improvement in the housebuilding and wider construction sectors. However, as in other market sectors, there was considerable variation between the performances of individual suppliers, together with strong competition from other smooth flooring products. Design trends have seen the increased use of greater colour variations and mixed plank sizes to allow bespoke flooring installations, but also the use of texture and embossing to replicate features such as knots, "distressing" and antique floors.

Domestic DIY installations of wood flooring are still below pre-recession levels and seem unlikely to improve in the short to medium term, as major DIY multiples carry out significant restructuring programmes in the face of consumer reluctance to carry out their own home improvement tasks. At the same time, the contract sector is now suffering from the uncertainty in business confidence, particularly in the commercial office and retail sectors.

Laminate, the largest product category in this sector, continues to be a strong driver of growth in the overall wood floorcoverings market and it has become an increasingly popular choice in the commercial/contract sector. Value added products with useful additional features, such as non-slip and water-resistant or waterproof flooring, have also helped stimulate demand. Sales of laminate are likely to continue to grow by an additional 2% in 2017.

The solid and engineered woods sector has been slightly more volatile than laminate, and has seen slowing growth of 1% in 2016 with similar growth estimated for 2017, while the market for accessories, such as underlay, edging strips, glues, jointing strips, is not forecast to grow significantly in 2017.

The rationalisation of production facilities away from the UK to lower cost countries by larger global players has been a critical factor in the increasing role of imports to the UK market. The percentage share of imports from the EU has risen significantly, from 45% in 2011 to 56% in 2016, while imports from Asia have fallen from 51% to 41% in that period.

Jane Tarver of AMA Research commented:

"The wood floorcoverings sector is forecast to show annual gains of around 2-3% in the period to 2021. Forecasting is difficult at present, with the Sterling exchange rates likely to have more impact into the medium-term than has previously been the case. Increased import costs will have a greater impact on margins and many suppliers may be forced to pass on these increased costs. However, value growth is also likely to be stimulated by increase demand for FSC and PEFC certified timbers as environmental considerations become more prominent in the specification process."

The housebuilding sector of the construction industry is a key driver of demand for wood floorcoverings and current forecasts indicate more modest annual rates of growth for completions of 2-5% between 2017 and 2021. The medium-term outlook for the non-residential sector is for only modest improvement to 2018, followed by annual growth rates of 2-3% to 2021, based on indications of slowing growth rates for new orders throughout 2016, together with an element of uncertainty that is affecting business confidence and investment levels.

The **'Wood and Laminate Floorcoverings 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 within 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 on 01242 235724.

Please include our web address and telephone number on any review printed, and it would also be appreciated if a copy of the review could be forwarded to AMA Research. Thank you.

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