

29 April 2021

To all NFRC Trade Members,

I am writing on behalf of NFRC's Roofing Suppliers Group, regarding the availability and price of certain roofing materials at this time and to explain some of the background as to how this has arisen. Our industry has not seen a situation like this in terms of the impact on production and distribution in living memory.

If you are not doing so already, **we recommend you start talking to your clients about these price rises, and this letter can be used to support you in these discussions.** We also recommend certain actions to take now, later in this letter.

Unprecedented impact of Covid-19

The worldwide construction products industry has been severely impacted by Covid-19. With governments across the world imposing lockdowns in May 2020, many manufacturers closed their factories and timber mills ceased production.

The result was many weeks of lost supply, and manufacturers trying to catch-up ever since. Productivity was also impacted, once production restarted, by the imposition of social distancing measures and disruption to shifts where staff had to self-isolate.

Extremely high levels of demand

Alongside this, since Q2 2020, demand for roofing and other related products has been exceptional. The Stamp Duty Land Tax holiday meant that the house building industry saw strong growth, and additional disposable income for some homeowners due to not having to commute or being able to take holidays abroad, saw a booming domestic Repair, Maintenance and Improvement market, putting extra pressure on certain products such as timber.

Global trade impact

Many roofing products such as timber and chemicals are exposed to the international market. Often, if the product itself is not imported, the raw materials that go into that product are. Therefore, if the prices of those raw materials increase, this results in price rises for the finished product. For example, oil prices have doubled since December 2020, aggregate prices have risen by 19.1 per cent between January 2020 and 2021, the cost of iron ore doubled between March and December 2020.

Further to this, the United States has seen a timber shortage that has resulted in US customers buying timber from Scandinavia and Baltic States suppliers instead. As a result, timber prices and imported ply have increased by a fifth. The US also saw record bad weather which caused the closure of multiple refinery and chemical processing plants, leading to the loss of 100 per cent capacity for some products.

China has also seen strong local demand for many raw materials, and the effect of US sanctions has meant many materials are now being used in China rather than being exported.

Alongside this, the shipping industry has seen significant disruption due to containers being misplaced and the recent blockage of the Suez Canal. It has been reported that containers that used to cost \$1,100 to transport are now costing more than \$15,000.

Suppliers unable to absorb costs

In the past, suppliers have been able to absorb small fluctuations in the price of raw materials, but these recent rises have been so unprecedented, it is no longer viable to do this, and as such the extra costs are having to be passed on.

Suppliers are also unable to give fixed or held prices for more than three months, due to the current volatility of raw material prices.

What you can do

Our industry is in an unprecedented situation and many of these circumstances are out of the control of manufacturers and merchants. We therefore recommend you consider taking the following actions, if you are not already:

- You should ensure you are regularly communicating with your suppliers and merchants, as the situation develops.
- You should communicate early with your clients of any potential price rises, and long lead times, using this letter if necessary.
- You should make sure you are placing orders well ahead of time, and planning for any potential cost increases when mapping the cost of a project. Try to seek earlier agreement of orders with clients to reflect longer lead times.
- Aim to work collaboratively with your suppliers and be flexible if necessary.
- Look out for future Guidance Notes from NFRC.

I appreciate this is a difficult time for the industry, but by working together, through our trade federation, we can overcome these challenges, and come out of it as a better, stronger and more resilient industry.

Yours faithfully,

Mike Crook
Chairman, NFRC Roofing Suppliers Group