

Carpet sector faces credit crunch crash

THE UK carpets market will plunge by a 9% this year and plunge a further 4% in 2009, according to a new forecast by MBD (Market & Business Development).

The real term decline in the carpet market between 2007 and 2012 is predicted to be 10% in contract and 11% in domestic.

This is a shocking turnaround after optimistic expectations less than 18 months ago. The latest disappointing figures are blamed on the current economic slump, the drastic slowdown in the housing market as well as a fall in new construction output.

Carpets also continue to face the threat of substitution by smooth floorcoverings, according to MBD. However, the move towards home improvement is seen as a glimmer of hope for carpets.

UK construction output is expected to return to growth by 2012, providing a positive impetus for UK carpets demand.

Demand from the domestic sector is expected to continue to account for the largest share of the UK carpet market, representing an estimated 58% in 2012.

In the domestic sector, in particular, carpets will continue to face strong pressure from smooth floorcoverings, including engineered and solid wood, vinyl and ceramic tiles.

The tufted carpet sector is expected to continue to dominate the carpet market, accounting for a projected 73% of total sales in 2012.

However, MBD anticipates that between 2007 and 2009, sales of tufted carpets will decline by a significant 12% in real terms, reflecting the uncertain economic conditions.

However, moderate growth is

UK carpet imports

2003	£734.4m	+6%
2004	£835.6m	+14%
2005	£787.8m	-6%
2006	£825.5m	+5%
2007	£856.1m	+4%

UK carpet exports

2003	£229.9m	-2%
2004	£228.2m	-1%
2005	£229.6m	+1%
2006	£251.9m	+10%
2007	£271.6m	+8%

Source: MBD analysis of international trade statistics

UK carpet imports (and exports) are rising

WITH the exception of 2005, carpet imports into the UK have continued to rise, reaching £856.1m in 2007. Importers were encouraged by the strength of Sterling, but its weakening last year caused a slowdown in imports.

Most imported carpet comes from Belgium and Holland, with China supplying a rising volume.

Tufted carpets accounted for 72% of the total of UK carpet imports in 2007, up from 70% in 2003. Tufted imports hit £618.5m in 2007, 20% up on 2003.

In 2007 woven carpet imports reached £127.4m, slightly down on the figure of £135.1m in 2004. Woven carpet imports actually declined from 17% in 2003 to 15% in 2007.

The good news is that exports of

carpets from UK producers has also been increasing, reaching £271.6m in 2007. In that year, international sales increased by 8%, consolidating growth of 10% recorded in the previous year. This is in contrast to moderate declines reported during the early part of the five year review period.

Overall, UK manufacturers have achieved international sales growth despite difficult trading conditions, exacerbated by a strong pound Sterling which has prevailed during much of the review period.

Exports have also increased partly due to a growing number of UK companies turning towards export markets during a time when demand in the domestic market declined.

forecast for the following three years, with sales expected to reach £888.3m at 2007 prices in 2012, partly reflecting the predicted return to growth in the construction market.

Demand for woven carpets is forecast to fluctuate, with an overall downward trend anticipated. Between 2007 and 2012, sales are likely to decline by 12% in real terms, according to MBD.

The proportional importance of fibrebonded (needle point) carpets is predicted to remain at 4%

through to 2012. Fibrebond sales are expected to decline between 2008 and 2011, with moderate growth in 2012 when the product sector is forecast at £53.6m at 2007 prices.

The fibrebonded sector is anticipated to be curbed by a potential slowdown in UK automotive production, due in large part to the economic decline.

For further details and to purchase a full copy of the report:

■ T: 0161 233 7092
■ www.mbdLtd.co.uk

Business in brief

'Brighter outlook'

Despite the economic gloom, 41% of construction industry bosses claim to be optimistic about business prospects in the next 12 months, according to a Chartered Management Institute survey. Over 80% of the 1,118 senior executives questioned say now is the time to focus on product innovation.

Fraud losses up 69%

The average builder's loss to fraud has increased by 69% largely driven by the credit crunch, according to a new report. Common types of fraud include theft of stock (32%) and financial mismanagement (31%).

Floor firm is upbeat

Flooring company EnDesign, which makes the mFLOR range, reports 30% growth in the first half of 2008 compared with 2007. It says the vinyl flooring industry overall has seen a rise in sales, mainly due to the downturn in the laminate flooring market. Linoleum, cork and rubber are also reportedly enjoying growth.

Schools work to rise

The Government has announced the next stage of the Building Schools for the Future programme will double in value to £4bn and be opened to all contractors. Bids will be invited with a notice to be published in the Official Journal of the European Union in March 2009.

More builders go bust

Builders' insolvencies increased by 11.7% between the first and third quarters of 2008, while 13.8% manufacturers went bust, says business information provider, Equifax. However, failures in the services and wholesale sectors fell by 4.2% and 2.6% respectively.

Minimum wage warning

Many flooring contractors don't know the national minimum wage increased last month, according to new research. This is despite more than 1m people being affected. The minimum wage for adults aged 22 and over is now £5.73, up 3.8%.

Adhesives slip forecast

The UK adhesives market will fall by 13% in the next two years to £654m, down from £750m in 2007, predicts a new report by AMA Research (priced at £625). T: 0871 3103450 www.amaresearch.co.uk

Bosses disqualified

In the year to April 2008 a total of 1,145 individuals were disqualified from being company directors.

UK carpet market by construction type (£m at 2007 prices)

	2008	2009	2010	2011	2012
Tufted	£897.3m	£864.6m	£868.5m	£876.7m	£888.3m
Woven	£215.5m	£205.5m	£205.4m	£206.6m	£209.1m
Fibrebonded	£53.6m	£51.9m	£52.2m	£52.9m	£53.6m
Rugs	£16.7m	£16.2m	£16.3m	£16.7m	£16.8m
Other	£51.7m	£49.7m	£50.0m	£50.3m	£50.7m
TOTAL	£1,234.8m	£1,187.8m	£1,192.6m	£1,203.3m	£1,218.6m

Source: MBD forecasts