

2012: Flooring can strike gold



The whole UK, not only London, will benefit from the 2012 Olympics, according to a new contract floor coverings survey:

THE report - by AMA Research - covers the years up to 2012. The growth in national pride and confidence in the run-up to the Olympics are forecast to boost the entire UK economy and call for floorcoverings in many more venues than just those for the actual Games.

Most notably, the report predicts a significant increase in tourism with many first-time visitors to Britain likely to extend their stay beyond the two weeks of the Games and explore the rest of the country.

This will mean increased opportunities in the hotel sector, in particular, but with the leisure and entertainment industry nationwide also expected to gain from additional capital investment for the refurbishment of existing premises as well as new-build.

However, AMA emphasises that the strongest demand for flooring in the next four years is expected from

new-build and refurbishment in health and education. Indeed, the current government's increased capital expenditure in these key public sectors is forecast to underpin future growth.

The government's Building Schools for the Future programme, especially, is expected to stimulate the market in the short-term and may assist in offsetting to some extent the impact of significant decline in other sectors, especially offices and retail.

Contrary to some recent more pessimistic surveys on the floorcoverings market, AMA forecasts a decline of only around 1% in 2008 followed by a static market 2009.

However, it concedes that the outcome of the current situation in mid 2008 is difficult to predict with the credit crunch continuing to affect the availability of competitive finance, causing postponement of some new build and refurbishment projects in the short-medium term.

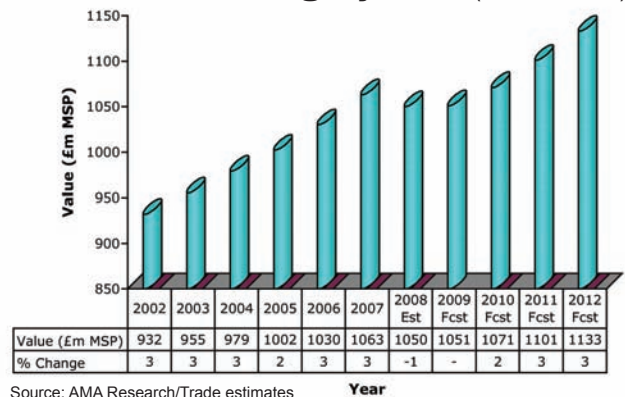
Indeed, it says, the economic downturn may prove to be longer and deeper than currently envisaged, perhaps causing a more severe downturn in the contract floorcoverings market.

Nevertheless AMA predicts, subject to these factors, a renewed upturn within 18 months with annual growth rates of 2-3% between 2010 and 2012 when the flooring market is expected to exceed £1.1bn. But it believes that this sector will continue to be characterised by high competition and tight margins.

Turning to the product mix, AMA expects carpet to continue to decline in value share, reflecting increasing competition from other floorcoverings and the expected deterioration of key end-use sectors such as offices in the short-term.

Within the carpet market, carpet tiles are expected to continue to take share from broadloom as the

Contract floor coverings by value (£m at MSP)



Contract flooring product mix by value (2007)

Product	Value (msp)	Share
Carpets	£539m	51%
Vinyl	£157m	15%
Wood & laminate	£136m	13%
Specialist industrial flooring	£77m	7%
Ceramic tiles	£61m	6%
Linoleum, rubber, cork, etc	£93m	8%
TOTAL	£1063	100%

Source: AMA Research/Trade estimates

The unknowns

AMA warns that future events and issues could alter the forecast:

■ **Change of government:** A general election expected in 2010 or 2011 could result in a different political party controlling public finances, which may significantly alter funding of capital projects in the public sector. This could mean that the current emphasis on health and education is either reduced or the funds transferred to other departments.

■ **Environmental issues:** The choice of flooring is increasingly being affected by the impact of areas such as transportation, removal and disposal.

If a floorcovering is difficult to maintain, needs environmentally damaging chemicals to clean and cannot even be partly recycled at the end of its life, this will have a detrimental effect on the environment, even if the manufacturing process is 'environmentally friendly'.

versatility and usability of modular systems appeal to more and more end-use sectors.

■ **Vinyl flooring** has most to celebrate from this survey, with high expectations that this product will enjoy significant benefits from growth in the health and education sectors as well as the increased demand for safety flooring.

■ **Wood and laminate flooring**, meanwhile, will continue to see lower growth with tougher competition from other flooring, especially vinyl, according to AMA. However, it points to the development of higher quality laminates along with solid wood and engineered wood flooring.

■ Future prospects for products such as **linoleum** and **terrazzo** are seen as being 'more restricted due to limitations in supply structure and the essentially niche sectors' serviced by these floorcovering types. **CFJ**

Contact AMA Research for the price of a copy of the full report:

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Contract getting 'a bigger share'

A NOTABLE finding in this survey is that contract flooring have been gaining on the domestic sector in the last two or three years and now accounts for around 47% of the total flooring market.

This is a significant change with the domestic sector having traditionally dominated the floorcoverings market.

AMA notes that contract is generally less volatile than domestic, tending to experience more even rates of growth or decline. Furthermore contract benefits from a variety of end-use applications.

However, the decline of the carpet sector has continued with British producers - remaining vulnerable to imports - facing competition from European suppliers and increasingly from lower priced imports.

Laminates saw a fall 2005-06 and has since experienced only low growth rates.