Supply Chain Sentiment Report

Q1 2026

Introduction

In our bi-annual sentiment report, we analyse the market mood, giving PfH members a heads up on what to expect from their supply chain over coming months.

Dozens of manufacturers, merchants and contractors have shared their concerns and confidence levels so we can give you, our valued members, an accurate measure of the market, its ups, downs and changes in direction.

We've divided our report into three easy-to-digest sections:

1. **Market Summary** (If you are short on time, then this is the section to read)
2. **Price Predictions for 2026**
3. **Market Sentiment**

We hope that by reading the mood of where the market is heading, social landlords can better prepare for the future.

Neil Butters,
Operations Director,
Procurement for Housing

1 MARKET SUMMARY

Volatility resurfaces, with geopolitical shocks and structural pressures unsettling confidence, yet underlying market resilience persists

Survey results

- Supplier optimism slips, falling from 9.3 to 8.74, reflecting renewed uncertainty
- Confidence in construction growth dips too, down from 6.8 to 6.23
- Volatility of UK public sector materials supply market scored at 6.19
- Government growth policies rating drops from 5.22 to 4.68, signalling rising frustration
- Merchant and manufacturer price predictions jump from 2.5% over 12 months to 4.5% over six months
- Contractor price predictions climb further, from 5% over 12 months to 7.5% over six months
- Materials pricing remains steady, despite copper hitting record highs and freight costs nudging upward

The macro-economic construction environment - six quarterly indicators:

FTSE 350 Construction and Materials Index **– small decline**

Construction output **– down**

Construction materials prices **– stable**

Construction vacancies **– small increase**

Construction firms: net births and deaths **– down**

Construction output prices **– weak increase**

A collective 'here we go again' as stability slips away

The overall sentiment across the market is a weary sense of déjà vu, with conditions sliding back into territory the sector knows all too well. This contrasts sharply with the mood just a few months ago, when there was a steady, measured optimism about what 2026 might bring. Construction had stabilised, new orders were up and although frailty remained, there was hope that the long awaited year of peace and quiet on the global front was around the corner.

> *"Inflation was slowing; however, this may be optimistic due to recent global events"* - Supplier

That feeling has been well and truly smashed. We're hearing a collective sigh across the supply chain as the war in Iran puts everyone back in attritional territory. The upside, however, is that we've all been here before, and both suppliers and social housing providers know what to do. Experience, pragmatism and collaboration will be key going forward.

This quarter's survey was sent to hundreds of contractors, merchants and manufacturers right at the start of the Iran war, so their responses offer a very early read on sentiment as the situation was unfolding.

> *"Global market - don't yet know effect of middle east conflict / increase in oil and associated costs"* – Contractor

That said, we've already seen a contractor telling one of our members that their prices are rising by 10% because of the conflict. This hike is premature, particularly for a non-energy-heavy business. The initial impact of the war will be on oil intensive industries such as manufacturers, but how quickly this will filter through, we just don't know. Read on for advice on how to manage reactionary price hikes.

> *"We manufacture plastics, therefore the price of petrochems is vital to a stable and viable product range. War in the Middle East, even for short spells, can create issues with global petrochem pricing and affect our cost base significantly"* - Manufacturer

Pressure points emerging in kitchen industry

In addition to the latest disruption in the Middle East, there are some underlying structural issues affecting market mood. The administration of kitchen manufacturer Moores Furniture Group in January has sharpened attention on this corner of the industry, prompting questions about resilience.

Recent mergers and acquisitions have added to the sense of adjustment amongst kitchen manufacturers. Many firms are navigating higher supply, energy and labour costs, and competitive pressures mean these increases can be difficult to pass on. For some, sentiment suggests trading conditions now feel tougher than during the pandemic - not a race to the bottom, but certainly a case of survival of the fittest.

Copper constraints add to wider market strain

Another area where we are seeing pressure is copper pricing, which has hit record highs this year, driven by global structural challenges. Supply constraints at major mines in Chile and Indonesia, combined with sustained demand from infrastructure, renewables and electrical applications, have tightened the market. The International Copper Study Group has now revised its outlook from a projected surplus to a deficit in 2026, and the US has added copper to its critical minerals list. More information on copper pricing here.

Copper underpins a wide range of materials used across the UK public sector, and the convergence of structural and short term pressures is feeding into pricing. At PfH we operate a copper specific price review process which helps to smooth volatility for social landlords by banking price reductions and offsetting increases, but this becomes harder to manage when prices continue to rise.

> *"We have seen a sharp rise in the price of cooper and potential may be up to 30% increase by the end of the year"*
>
> \- Supplier

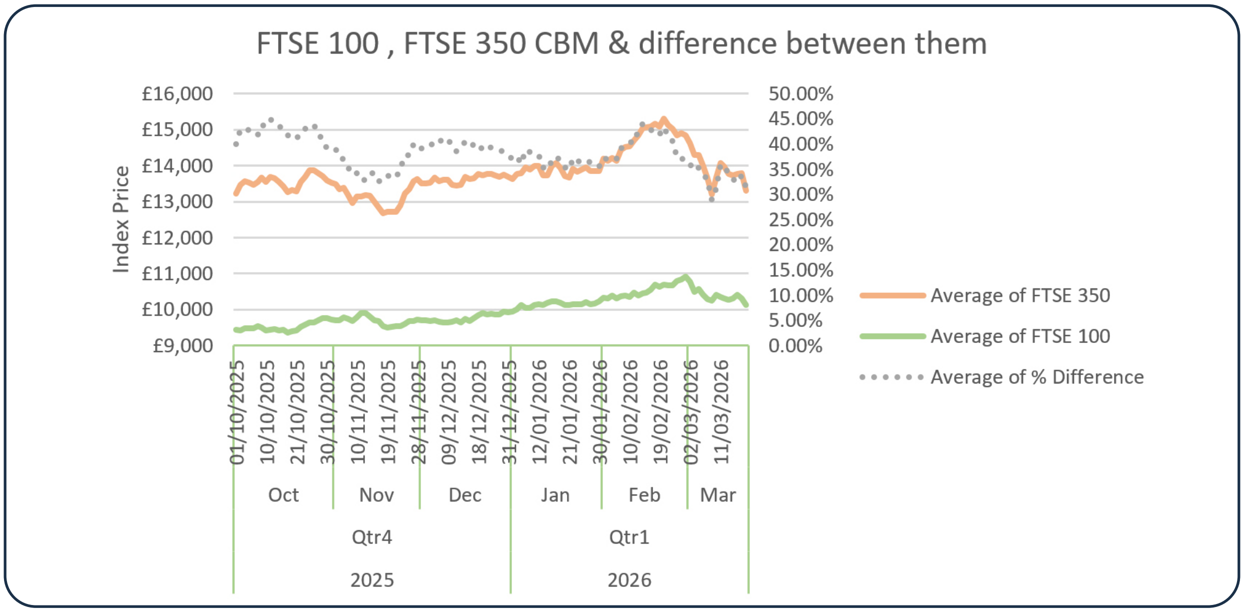
> *"Our suppliers are still seeing cost increase in raw commodities. For example, we have seen copper prices go from 9,500 per tonne to over 13,000 per tonne in the last 6 months"*
>
> \- Manufacturer

Geopolitical pressures begin to show in market indices

With these pressures layered on top of the disruption in the Middle East and the strain on oil supply routes, sentiment is shifting. The next step is to understand how this is reflected in FTSE movements and broader economic indices.

Both the FTSE 100 and the FTSE 350 Construction & Building Materials Index were climbing strongly through January and February 2026, reflecting the upbeat mood at the start of the year. Over the past month, however, both indices have fallen at a similar pace, a parallel movement that suggests a shared external driver rather than sector-specific weakness. In other words, the drop seems to have more to do with the situation in Iran than with any underlying issues in construction.

Graph 1: FTSE 350 Construction and Materials compared to FTSE 100 (Source: uk.investing.com)



Travis Perkins' results indicate pressure in merchanting - and room for recovery

As a bellwether for the merchanting market, Travis Perkins' latest results offer a useful read-across to the wider landscape. Their 2025 performance was understandably muted, reflecting flat demand across both public and private sectors as many households, private landlords and developers defer works due to cost of living pressures. The business notes that trading remained subdued into the start of this year, in line with the broader slowdown in UK construction.

Looking ahead, however, Travis Perkins strikes a more upbeat note. Having already made significant structural changes over recent years to align with tougher market conditions, they now see opportunities to grow by gaining market share. As the UK's largest merchant, their stance offers a useful signal of where the market may head next.

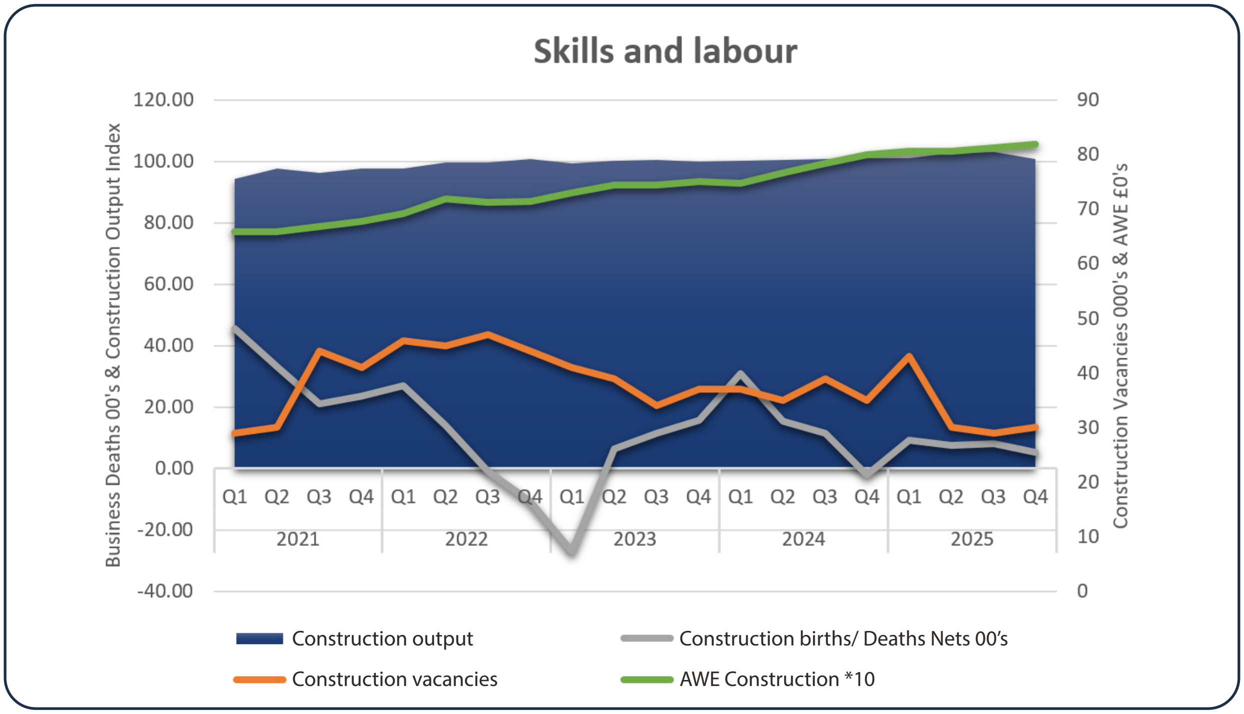
Sector-wide indicators point to a market adjusting to renewed uncertainty

Other construction metrics echo the sentiment from Travis Perkins. They paint a picture of a supply chain that had hoped for a brighter start to 2026 but is instead grappling with renewed uncertainty.

Construction output has edged down, while the reinstated materials pricing index - following last year's Office for National Statistics (ONS) data pause - is largely static.

Vacancies tell a similar story. The small rise in construction vacancies at the end of 2025 suggested firms were gearing up for increased activity in the year ahead, yet the subdued trading environment means this uplift may prove short lived. It will be important to see whether vacancies stabilise or slip back as demand weakens. We'll be monitoring this closely.

Graph 2: Skills and labour (Source: Office for National Statistics)



Net births and deaths of construction firms remain low, signalling continued stabilisation, and output prices have seen only a modest increase.

Taken together, these indicators suggest a sector caught between cautious optimism and the early effects of geopolitical disruption. It is too soon to fully understand the impact of the conflict in Iran, but the fragile yet positive trading environment seen in late 2025 has undoubtedly dimmed. Striking a positive note is difficult but not impossible.

The encouraging thread running through the sector is resilience. Businesses have restructured, resized and adapted repeatedly over recent years. Travis Perkins is a case in point: while 2025 was challenging, they have already absorbed much of that pain, reshaped their operations for tougher conditions and are now positioning themselves to grow through market share.

If the Middle East crisis proves short-lived, the underlying structural soundness of the sector provides a solid foundation for growth across H2.

It's a reminder that the sector has weathered similar cycles before – and knows how to steady itself again.

Key advice

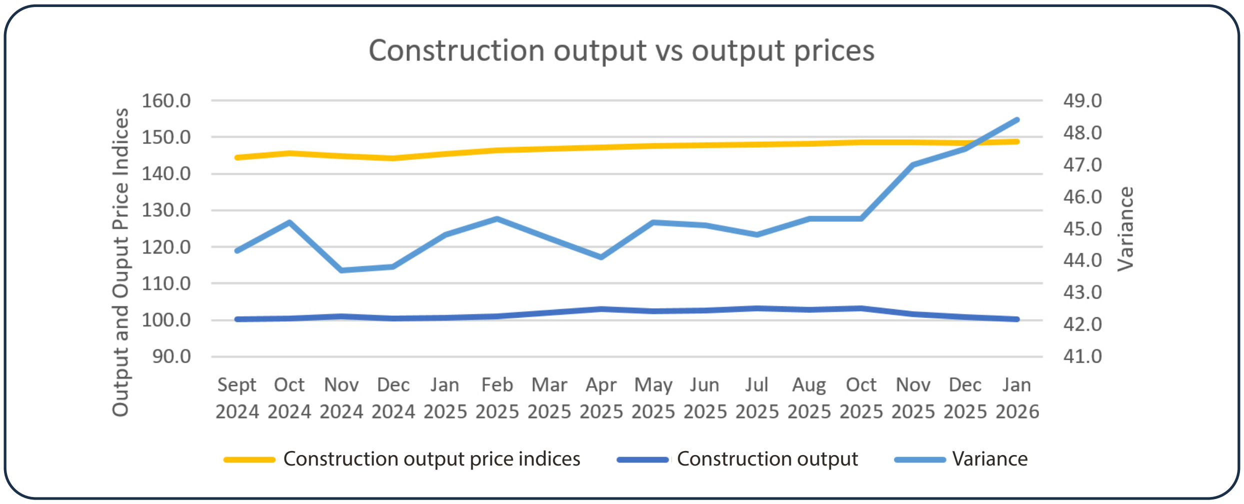
Price-rise requests are already coming through, but social landlords shouldn't feel obliged to accept them at face value. Strong supply-chain relationships are based on the ability to have challenging conversations in the right way, and that starts with asking suppliers to evidence where their costs have genuinely increased. Many of the usual justifications don't currently stack up: materials prices haven't spiked, container costs remain stable, and last year's national insurance rise can't be cited twice. Oil-related disruption is real, but lots of construction activity isn't oil-intensive.

Where the Iran conflict may create pressure is in specific areas such as energy-intensive UK manufacturing (steel, concrete, bricks), oil-based inputs, and imported components from regions indirectly affected by higher energy prices. Although most UK imports from China - primarily lighting and electrical products - don't travel through the Strait of Hormuz, China's reliance on Middle Eastern energy means its own manufacturing and shipping costs could rise if global energy prices stay elevated. Even then, any impact is likely to be gradual and category-specific rather than immediate or universal.

Arm yourself with the data, understand your supplier's cost base, and ask them to explain why a proposed uplift is proportionate. Inflation happens every year - but it isn't, on its own, a reason for a one-off increase of 10% or more.

Chasm between construction output and prices grows

Graph 3: Construction Output vs Output Prices (Source: Office for National Statistics)



There is a significant shift this quarter in the gap between construction output and prices, with output falling while prices remain static. This variance reinforces a familiar concern: if output is weak, yet prices are still edging upward, what happens when demand fully returns - prices could rise rapidly.

Several factors may explain the divergence. Labour costs could be impacting prices, with average weekly earnings still rising (see Graph 2), albeit more steadily than the last two years.

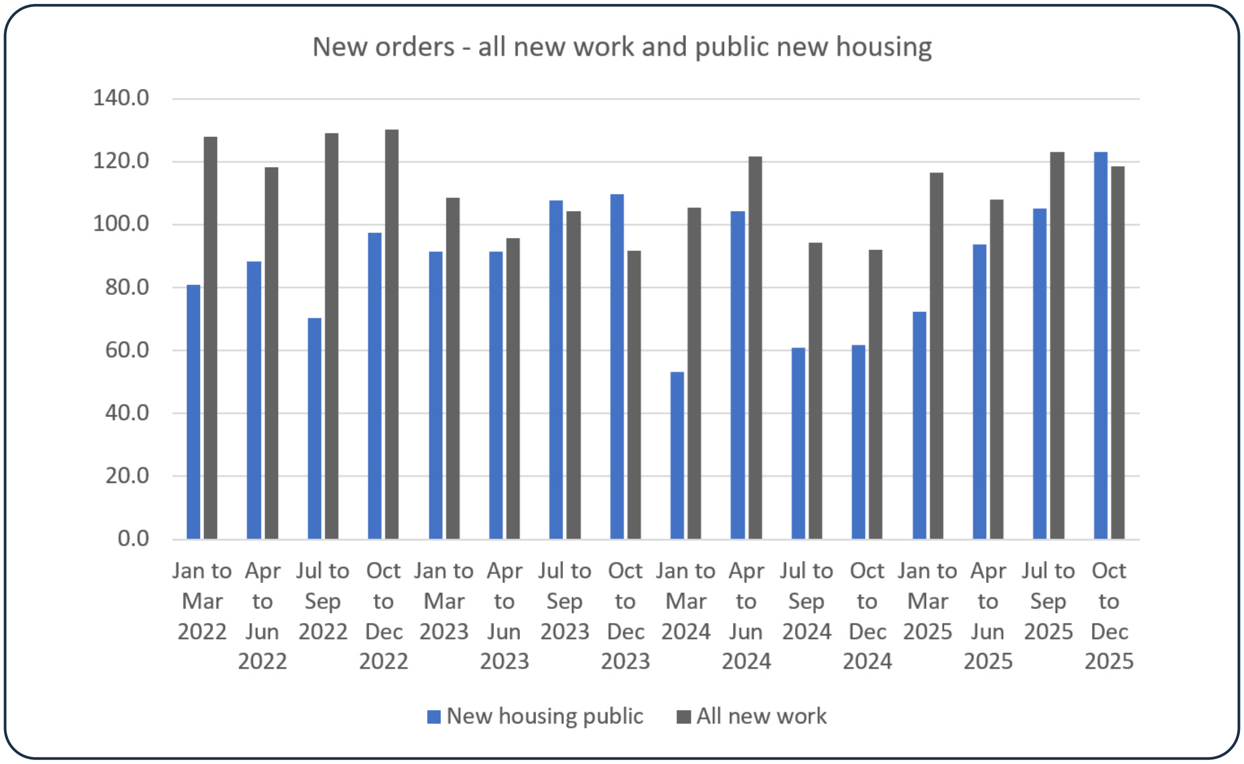
Another possibility is margin behaviour. Some firms appear to be using this quieter period to reset margins to more sustainable levels. That can only happen if the rest of the market is doing the same, otherwise businesses would simply price themselves out of work. What we may be seeing is a sector wide recalibration after years of volatility.

A mixed picture: wider orders ease while public housing edges upward

New orders across all construction work have dipped slightly, while public housing orders continue to rise - a sign that recent Government policy is beginning to take effect. Starting from a low base, these increases are welcome, but the question is whether they can be sustained at scale.

The Office for Budget Responsibility's spring forecast suggests this will be challenging: it now considers the Government's target of 1.5 million homes by the end of parliament unlikely to be met. As Inside Housing recently highlighted, only 309,600 net additional homes have been delivered in the first 18 months of the parliament, leaving nearly 1.2 million still to build – at what will have to be an incredibly high annual rate.

Graph 4: New construction work (Source: Office for National Statistics)



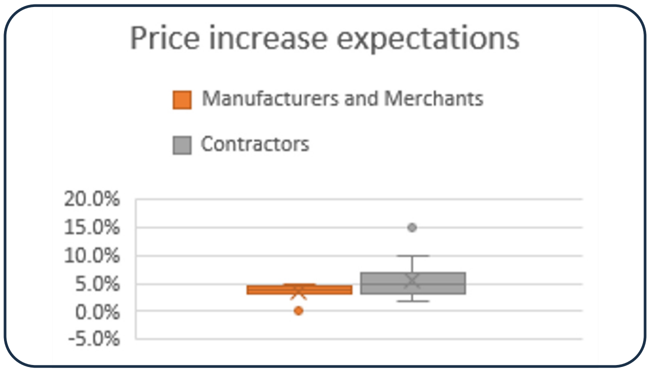
2 MARKET PRICE PREDICTIONS FOR 2026

All suppliers brace for steeper near-term price rises

Graph 5: Supplier price predictions for next six months: 2026 (Source: PfH)

October 2025 survey for 2026:

Current forecast for next 6 months:



In last quarter's survey, we asked manufacturers and merchants to forecast price increases for the next 12 months, and the result was an expected 2.5% rise – in line with general inflation. But this time we requested only a six month prediction and the result was 4.5% - a 1.5% price shift driven by current volatility.

"We will see between a 2 - 4% increase, due to sustained inflationary pressures and rising logistics, energy, and personnel costs. While raw material costs have remained relatively stable, these other factors have significantly impacted our operations"

- Supplier

"Varies from manufacturer but can be anywhere from 2 - 6% on average"

- Manufacturer

We've also seen that change echoed by contractors. In our last Sentiment Report, contractors were, on average, forecasting a 5% growth in prices across 12 months. But that has now grown to 7.5% for the next six months. And we've seen variance between expectations widen further too. One outlier predicted prices would rise by 15% and a few contractors told us hikes could reach 10%.

"Could be up to 10% as a result of the conflict in the Middle East"

- Contractor

"Difficult to predict with volatile word politics but inflationary and with Government NI contribution hikes 6 -8 %"

- Contractor

"Price increases driven by skills shortage pushing up wages and the government anti-growth policies, most notably the tax on jobs (increase in employers NI)"

- Supplier

"Market too volatile to predict with any certainty"

- Supplier

"Pricing being increased to market conditions, cost of raw materials and labour increasing"

- Supplier

"Increased material costs from suppliers linked to their increased manufacturing costs whether it be raw materials or changes in legislation & tax changes"

- Contractor

Key advice

With volatility pushing price expectations higher for 2026, social landlords should prepare for increases - but that doesn't mean accepting every uplift unchallenged. Acknowledge that some costs may need to rise, then ask suppliers to demonstrate where efficiencies can offset those pressures. Housing associations have been expected to deliver more for less for years; it is reasonable to expect the same discipline from supply chain partners.

Focus conversations not just on the unit cost of materials, but on the operational gains that can be achieved over the life of a contract. Saving a penny in the pound on a product is helpful but improving first time fix rates or reducing operative downtime can deliver far greater value. Material costs are only one part of the equation. Real savings come from working collaboratively with merchants and contractors to streamline processes and maximise productivity.

Materials pricing shows stability amid mild shipping increases

Materials related cost pressures remain muted. The Construction Materials Price Index tailed off in late 2025, and both container rates and energy consumer price inflation (CPI) stayed stable, giving the sector a period of respite. While the Freightos Baltic Index (FBX): Global Container Price Index has ticked up in recent weeks, world shipping costs are still far below their 2025 peak - rising from around $1,600 to $1,800, compared with early year levels of $2,500. Shipping routes from Asia have not seen major cost spikes, indicating that the freight market remains steady. Overall, material cost pressures appear moderate rather than inflationary at this stage.

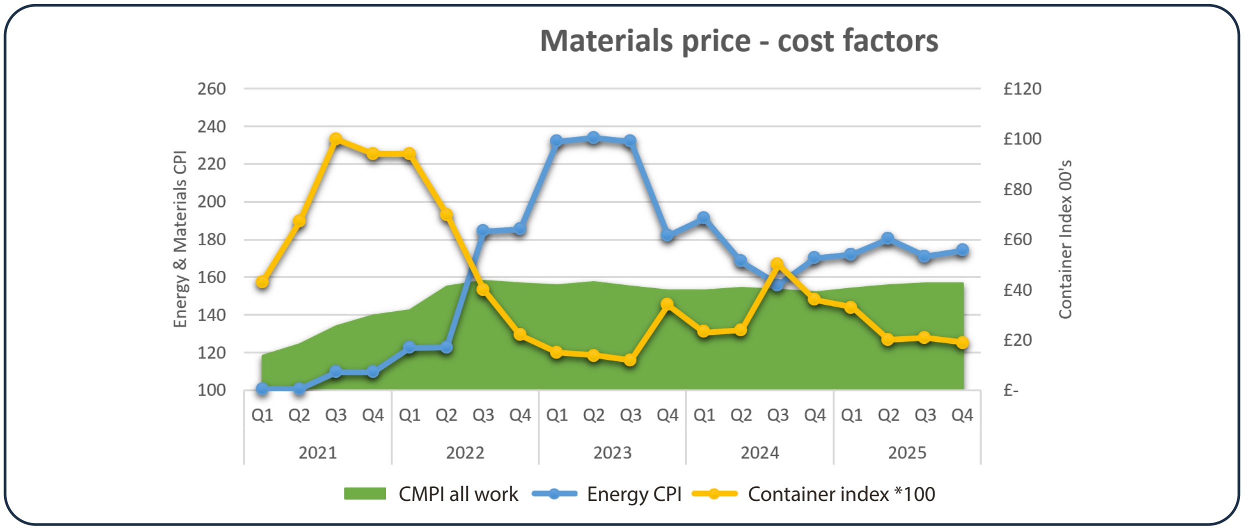
"We are monitoring the situation in Iran; this could put pressure on the supply chain due to shipping limitations"

\- Supplier

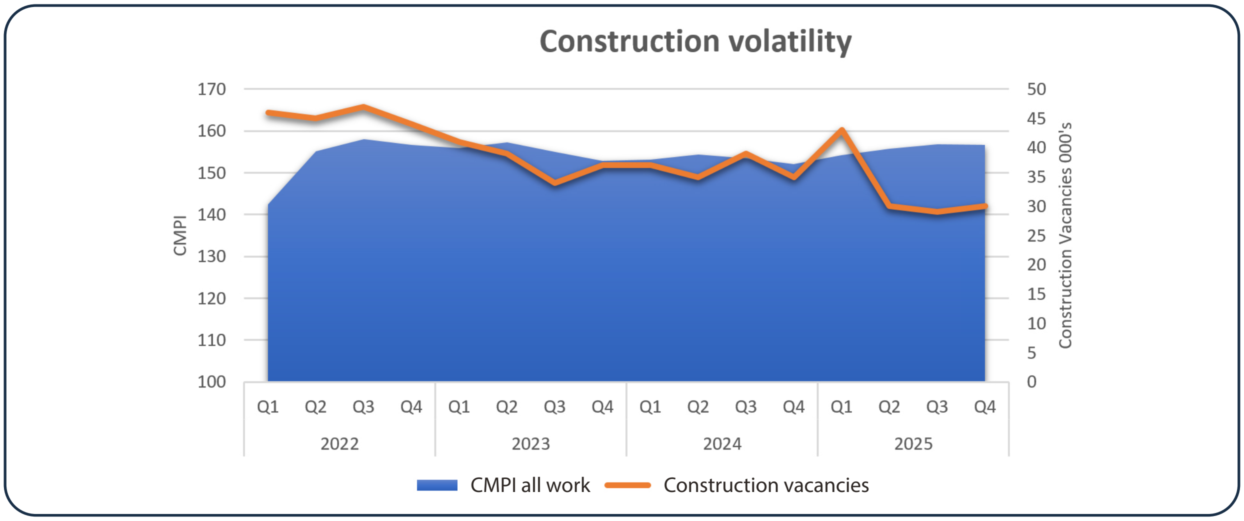
"Originally, we felt UK Government policy would increase labour costs and that this would filter through into materials costs, but things would stabilise throughout the year. The conflict in Iran however has dwarfed this issue. We will see an increase in transportation costs as shipping will divert from the area and take the longer journey around South Africa at an increase estimated at £2,000 to £3,000 per container and fuel costs themselves will increase"

\- Supplier

Graph 6: Construction and Materials Price Index (Sources: Freightos, Office for National Statistics)



Graph 7: Construction Volatility (Source: Office for National Statistics)



Key advice

To stay ahead of potential materials-cost volatility, social landlords should keep a close eye on the global indicators that shape pricing long before increases reach the UK supply chain. The London Metal Exchange is an important resource tracking the price of metals like copper and nickel which are traded globally and heavily influence the cost of components used in UK construction - from wiring to battery storage for solar PV. Copper, in particular, is a strong indicator of wider market demand and volatility.

> *"Price increases: Materials - Aluminium 6% and insulation 4% are due to increase"* - Contractor

Beyond raw materials, monitor the other major inputs that shape product pricing: the energy required in manufacturing, global shipping rates, and the resource costs involved in moving goods from ports to merchants and ultimately to tenants' homes. These are the factors that drive construction pricing, which is why we monitor energy and container indices so closely. Staying tuned to these signals will help you challenge price rises with confidence.

3 MARKET SENTIMENT

The macro-economic construction environment - six quarterly indicators:

Skills concerns
– slightly up (contractor concerns up significantly)

Business confidence
– down

Construction confidence
– down

Government confidence
– down

Volatility
– slightly above average

Skills concerns ease, but confidence cools

Skills concerns have edged up across the supply chain, but only marginally. With wider geopolitical pressures dominating attention, the construction labour gap has slipped down the list of immediate priorities.

Business confidence, however, has taken a more noticeable hit. When we asked suppliers to rate their confidence in their organisation's success over the next 12 months, the score fell from 9.3 to 8.74. It's a meaningful shift, but not an unexpected one given the backdrop.

The same pattern emerged when we asked about confidence in construction growth: positivity has weakened from 6.8 last autumn to 6.23 this quarter.

This more subdued mood is also reflected in views on Government action. Confidence in policies has slipped from 5.22 to 4.68, despite renewed commitments around affordable housing.

Taken together, these responses point to a clear change in tone. At the start of the year, most indicators were expected to move upward; instead, they have reversed. It marks a significant shift in market conditions - shaped not only by domestic pressures, but by a more unsettled global economic landscape.

Volatility concerns rise, with a focus on costs

Given the current headwinds, we asked suppliers to rate volatility in the UK public-sector materials supply market on a scale of 1–10 (10 being most volatile). Manufacturers and merchants reported a mid-range score of 5.67, while contractors were more cautious at 6.71, bringing the overall average to 6.19.

We followed up on this question, asking suppliers about the factors driving volatility. Interestingly it wasn't global market conditions that came out on top, but instead the cost of products and materials, followed closely by the cost of labour.

"The industry has been hit by increases in employment cost due to minimum wage and National Insurance Contributions over recent years. This has impacted on most material supplier profit and with the uncertainty from the conflict in the Middle East, I cannot see signs of any price reductions and more likely to material price increases"

- Supplier

"We are trying to keep our costs down and are in the process of securing new suppliers for materials and/or negotiating rates. However, wholesale costs of materials has risen, and the cost of employment has risen due to NI changes which is affecting our direct delivery model and is further compounded on the rare occasion we use subcontractors. Furthermore, we expect prices to be volatile due to the political situation in the middle east effecting fuel costs, which will make the cost of transport, material delivery, etc. all rise"

- Supplier

A number of contractors noted the impact that rises in the National Minimum Wage and National Insurance contributions will make from April 2026 onwards.

"Minimum wage increase is the biggest factor as this impacts on our complete supply chain in addition to adding to our own costs. It does not only impact those on minimum wage, it impacts the whole workforce"

- Contractor

"Annual increases from our supply chain are 3 - 4%. National minimum wage going up by 4% in April 2026. Labour and materials have increasing daily as firstly government policy kicks in and the latest war in Iran that is going to significantly hike costs for materials and fuel"

- Contractor

These responses don't signal sector wide pessimism, but they do show a heightened awareness of risk. Most suppliers expect some disruption in 2026 - whether that's isolated to specific categories, such as kitchens, or felt more broadly across the contractor market. What remains unclear is the scale. The sector is alert, watching conditions closely, but not assuming the worst. It's a moment for vigilance rather than alarm.

Policy uncertainty adds pressure as the sector seeks stability

Government policy shifts have added another layer of uncertainty. The withdrawal of ECO funding has already created difficulties for contractors who were heavily reliant on it, and the sector is still waiting for clarity on how the Warm Homes Plan will operate in its place. Sudden changes in funding or policy direction make it harder for construction firms and social landlords to plan, invest and build the skills they need.

This policy short termism is not new, but it is becoming more pronounced. Construction is a sector that depends on stability more than most: long term programmes, multi year investment cycles and workforce planning all require clear, consistent signals from Government. But without certainty on timelines, mechanisms and funding flows, social landlords cannot confidently scale capacity or prepare their supply chains.

> *"Unfortunately, the conflict had added another element of uncertainty"* - Supplier

As we move further into 2026, the sector is navigating a complex mix of geopolitical volatility, shifting policy landscapes and fragile confidence. The fundamentals of demand remain, and opportunities will emerge - but housing providers and their supply chain will need to stay agile, informed and ready to adapt as the picture evolves. The Iran conflict adds a further unknown: if energy prices settle quickly, the impact may be limited, but if disruption persists or spreads, the inflationary effects could be far more significant. At this stage, it is simply too early to call - and that uncertainty itself is shaping behaviour across the market.

How we can help

We are PfH, a technology enabled procurement partner. We work with leading social housing sector organisations to help manage their spend better, drive sustainable value, and improve operational efficiency. At the heart of everything we do is our commitment to positively impact people's lives.

We provide procurement consultancy, compliant solutions such as frameworks, Dynamic Purchasing Systems (DPS) and Dynamic Markets (DM), alongside our spend and contract management platform, Quantum.

Get in touch to discuss your challenges or to find out more about how we can add value to your organisation.

Get in touch!

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