AMA RESEARCH

MARKET REPORT

Q1 2017 Review

GIMA

Representing Garden Industry Suppliers

AMA Research Ltd

April 2017

MARKET REVIEW

GIMA’s role is primarily aimed at supporting the garden industry and helping members to grow. As members will know, we launched the ***Barometer of Trade*** in 2015, which is a unique analysis designed specifically to provide participants with feedback on overall performance on product sales, distribution and attitudes towards the business environment.

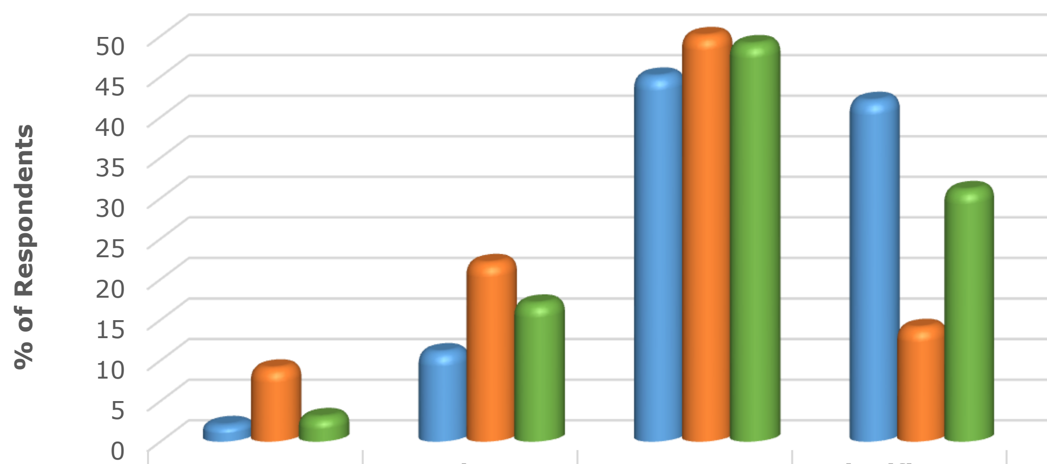
As the ***Barometer of Trade*** evolves, it is providing some overall market analysis together with an invaluable opportunity to compare your company’s performance with your peer groups by product sector.

We are now moving into the third year of the survey and the data is providing some good insight into market trends and trade attitudes on how the garden industry might develop over the next year.

Undoubtedly, confidence levels within the garden sector have been quite volatile over the last 18 months, with the beginning of last year starting out positive, followed by a significant fall in confidence at the mid-point before recovering well by early 2017.

The following chart compares the outlook by survey respondents in January 2016, July 2016 and January 2017: -

Comparison of Market Prospects for January 2016, July 2016 and January 2017



	Some Decrease	No Change	Some Increase	Significant Increase
Jan-16	2	11	45	42
Jul-16	9	22	55	14
Jan-17	3	17	49	31

Source: GIMA Barometer of Trade

Industry confidence levels in 2016 reflected the changing mood of the country as a whole. The immediate consequences of the "Leave" vote in June were a fall in the Stock Market and value of Sterling, which inevitably had some bearing on survey responses in July. However, H2 appears to have been positive with confidence levels by January 2017 indicating that around 80% of respondents are expecting continued turnover growth into 2017.

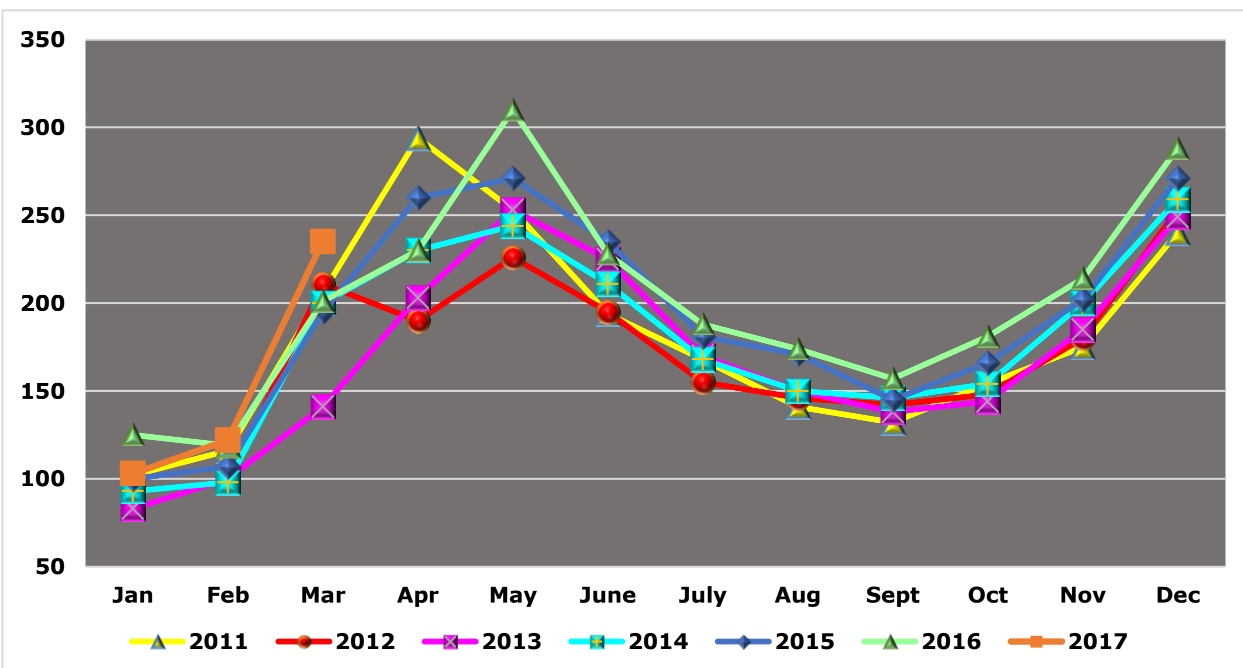
As we enter Q2 2017, there are a number of positive factors underpinning this increased confidence. The relatively dry and warm weather throughout April has meant that growing conditions have been favourable and have encouraged more consumers out into their gardens/allotments.

The economic outlook remains relatively positive with the Bank of England increasing GDP growth forecasts in Q1 but with recent increases to the inflation rate caused by rising food and fuel prices. This is likely to have implications for consumer spending on non-essentials into 2017-18. The short-term economic outlook has been further complicated by the decision to call a General Election in June.

It's also useful to compare views with findings from the GCA who have been running a similar Barometer of Trade for around 6 years and have developed a good base of sales data over this period.

The chart below highlights recent trends in the **Garden Centre** sector, illustrating seasonality and general sales over the 2011 to Q1 2017 period. The data is based on an Index and the chart provides a comparison with the relatively buoyant conditions since 2015 with the less positive situation in 2012/13:

Garden Product Sales Trends – 2011-Q1 2017
Index: January 2015 = 100

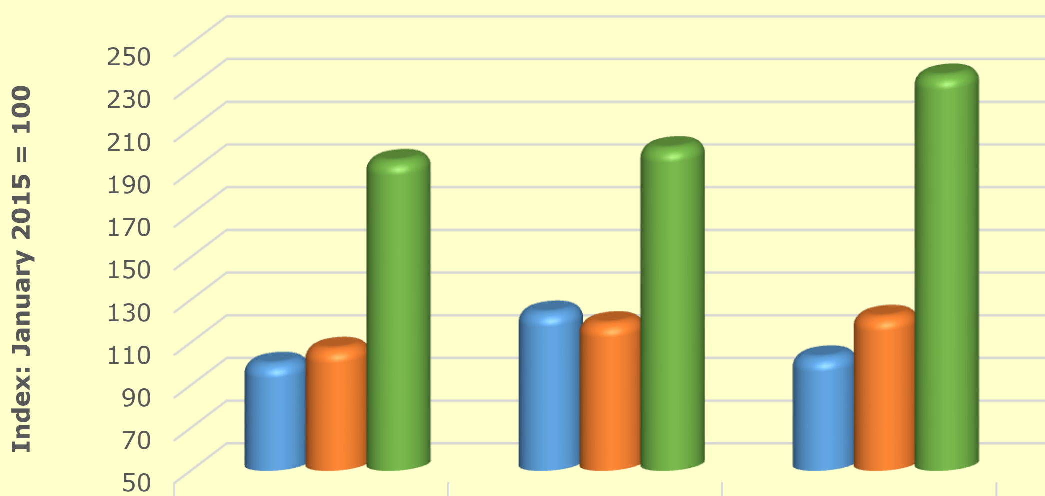


Source: GCA Barometer of Trade

Garden Centres enjoyed a very good year in 2016 with the chart indicating that, with the exception of April 2016, sales for each month in 2016 exceeded those of the previous year. The chart also indicates the trend for strong growth at the beginning of the year which peaks in April/May, followed by gradual decline to September and strong growth throughout the Autumn period, peaking in December.

Sales in 2017 were less buoyant in January than for the previous year, but gained ground rapidly in February and by March were already estimated to be 12-15% ahead of the same period in 2016. The following chart makes yearly comparisons of sales through garden centres during Q1 for the last 3 years and is based on the Index used in the previous chart:

Garden Products Sales Trends in Q1 for 2015, 2016 and 2017
Index: January 2015 = 100



	2015	2016	2017
January	100	124	103
February	107	119	122
March	195	201	235

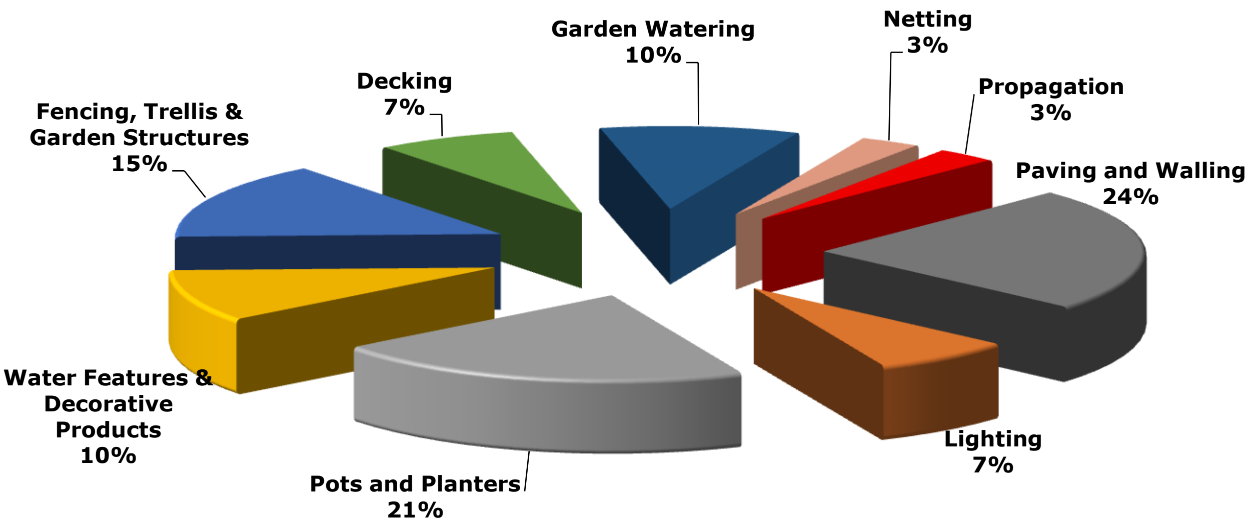
Source: GCA Barometer of Trade/AMA Research Ltd

As indicated above, whilst January 2017 was down on 2016, sales in both February and March have been significantly ahead of both 2015 and 2016. Whilst this indicates that the positive close of 2016 has continued into 2017, it is possible that inflation, particularly fuel prices, and more expensive import prices may be beginning to filter through the supply chain and inflate value growth.

Outdoor plants have performed well in Q1 2017, boosted by the relatively mild weather in most UK regions which has encouraged consumers to venture out to garden centres. Restocking and planting has also been made easier by warmer temperatures and March sales of outdoor plants have been particularly buoyant, estimated to be around 20-25% ahead of 2016.

Sales of garden sundries in Q1 2017 have also been positive with growth of around 10% on Q1 2016. The garden sundries sector includes a number of product ranges with the chart below from AMA Research giving a broad estimate of product mix across all channels in 2016:

Garden Sundries Product Mix 2016 – % by Value



Source: AMA Research/Trade Estimates

Analysis over time indicates that the mix for garden sundries has remained fairly constant over the last 2-3 years as consumer confidence and spending has increased. Although the pots and planters sector accounts for a large share of the product mix, sales have been affected by the apparent decline in the "grow your own" trend, with propagation also experiencing lower demand for some products.

Sales of fencing, trellis and garden structures have been underpinned by a large element of replacement purchases due to damage caused by winter storms. Paving, walling and other hard landscaping products remain in focus as consumers continue the trend for outdoor entertaining areas, with demand for decorative and unusual schemes helping to boost value growth.

Garden watering products have faced volatile conditions in recent years with both excessive periods of prolonged summer rain and drought conditions having been evident over the last decade. Although automatic watering systems have lost some ground over the last 5 years, garden centres remain a key channel for sales of these products.

Finally, the *Barometer of Trade* survey is now providing participating members with a mix of annual and seasonal sales comparisons, changes in distribution, etc, as well as adding other issues into the survey, such as import/export trends and cost increases, which are all helping GIMA members improve their knowledge of key industry trends.