Monthly Statistics of Building Materials and Components

Commentary

April 2012

Coverage: UK and Great Britain
Geographical area: Country, region and county
Date of publication: 2 May 2012

Headline results:

- The ‘All Work’ Construction Material Price Index rose by 4.5% in the year to March, down from 5.5% in the year to February.
- The construction materials experiencing the largest price increases in the year to March were Ceramic Sanitaryware (up 13.8%), Thermal or Acoustic Insulating Materials (up 11.7%) and Metal Doors and Windows (up 9.6%).
- Production of bricks and concrete blocks fell by 7.9% and 9.6%, respectively, in the year to March.
- In 2011Q4, exports of construction materials fell by 6.6% (to £1,441 million) compared to the previous quarter, while imports also fell by 6.1% (to £2,909 million). As a result, the trade deficit in construction materials narrowed by £89 million, to £1,468 million, in 2011Q4.

Correction Notice

On page 4, text relating to Chart 2 was previously incorrect as it reported percentages relating to month-on-month differences when describing differences in the year to March 2012. This should have read "In the year to March 2012, the 'Other New Work' sub-index rose by 5.4%, the 'Repair and Maintenance' sub-index rose by 4.5%, while the 'New Housing' sub-index was up by 3.9%."

This document, published on 11 June 2012, has been corrected accordingly.

BIS apologises for any inconvenience caused.

Introduction

This commentary accompanies the latest Monthly Statistics of Building Materials and Components bulletin, published on the BIS Construction website on 2 May 2012.

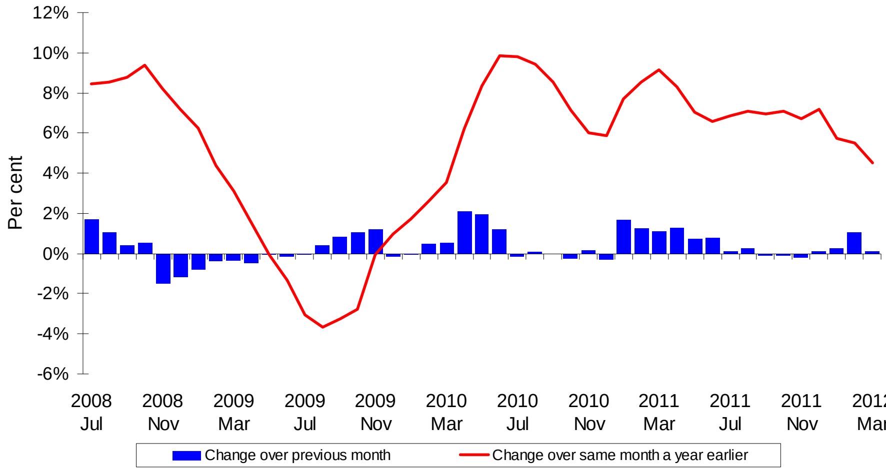
It aims to provide a brief overview of recent trends in the data presented in the bulletin. These data cover the following building materials statistics (in parentheses, the data collection frequency and the geographical area covered):

- Construction Material Price Indices (monthly, UK)
- Sand and Gravel sales (quarterly, GB*)
- Slate production, deliveries and stocks (quarterly, GB)
- Cement and Clinker production, deliveries and stocks (monthly, GB)
- Bricks production, deliveries and stocks (monthly, GB*)
- Concrete building blocks production, deliveries and stocks (monthly, GB*)
- Concrete roofing tiles production, deliveries and stocks (quarterly, GB)
- Ready Mixed Concrete deliveries (quarterly, UK)
- Values of overseas imports and exports trades for selected materials and components for use in construction (quarterly, UK)
- Value of EU and Non-EU Trade for selected materials and components for use in construction (annual, UK)

Note: * Regional figures available

Summary

Chart 1: Growth in 'All Work' Construction Material Price Index, UK
Percentage change over previous month and a year earlier (%)



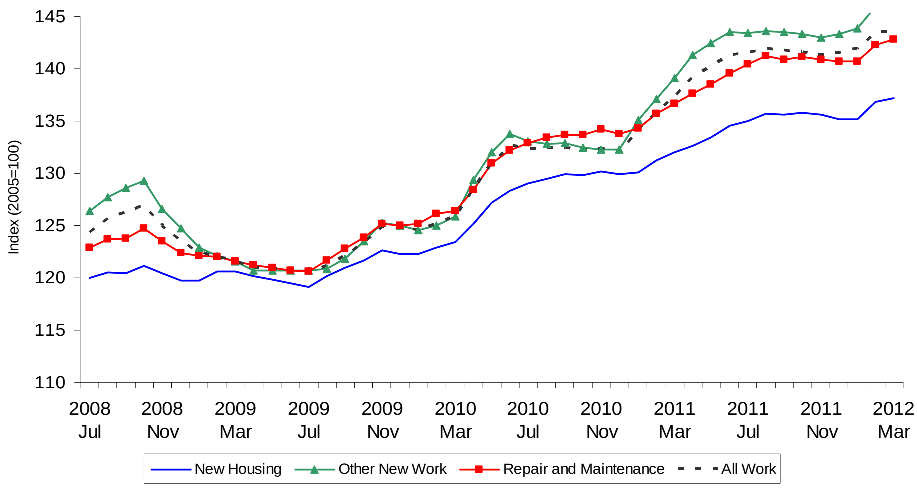
Source: Table 1 Monthly Statistics of Building Materials and Components

The headline 'All Work' Construction Material Price index rose by 0.1% on the month in March, after rising by 1.1% on the month in February.

The annual inflation rate was 4.5% in March, lower than in February (5.5%), and the lowest since March 2010 (3.5%).

In 2011 as a whole, 'All Work' Construction Material Prices rose by 7.4%.

Chart 2: Construction Material Price Indices, UK
2005 = 100



Source: Table 1 Monthly Statistics of Building Materials and Components

The year-on-year increase in the headline 'All Work' price index was broad-based, reflecting modest increases in all sub-indices.

In the year to March 2012, the 'Other New Work' sub-index rose by 5.4%, the 'Repair and Maintenance' sub-index rose by 4.5%, while the 'New Housing' sub-index was up by 3.9%.

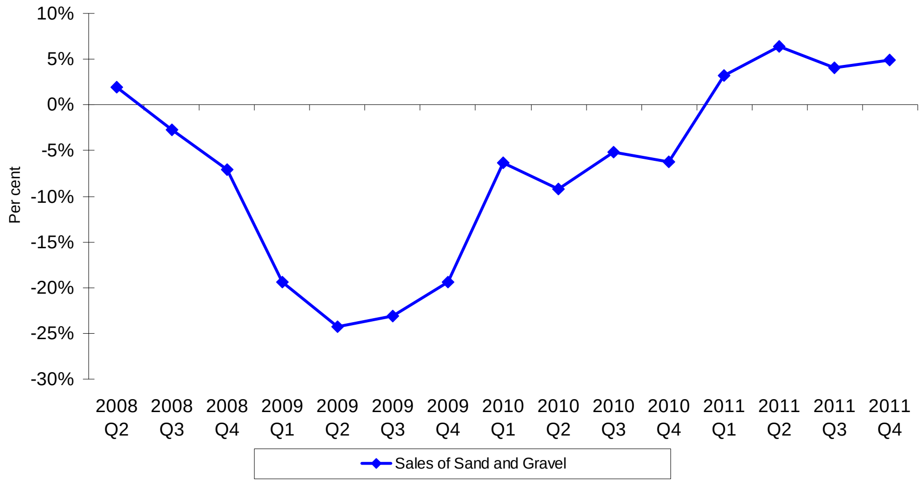
Table 1: Construction materials experiencing the largest price increases and decreases in the year to March 2012, UK

Construction Materials	% change on a year earlier
Largest price increases	
Ceramic Sanitaryware	13.8
Insulating Materials (thermal or acoustic)	11.7
Doors and Windows (metal)	9.6
Largest price decreases	
Ceramic tiles	-1.3
Imported sawn or planed wood	-1.2
Sawn Wood	-0.4
Lighting equipment for roads	-0.4

Source: Table 2 Monthly Statistics of Building Materials and Components

Ceramic Sanitaryware (up 13.8%), Thermal or Acoustic Insulating Materials (up 11.7%) and Metal Doors and Windows (up 9.6%) experienced the largest price increases in the year to March. Over the same period, the only materials that saw price falls were Ceramic Tiles (down 1.3%), Imported Sawn or Planed Wood (down 1.2%), Sawn Wood (down 0.4%) and Lighting equipment for roads (also down 0.4%).

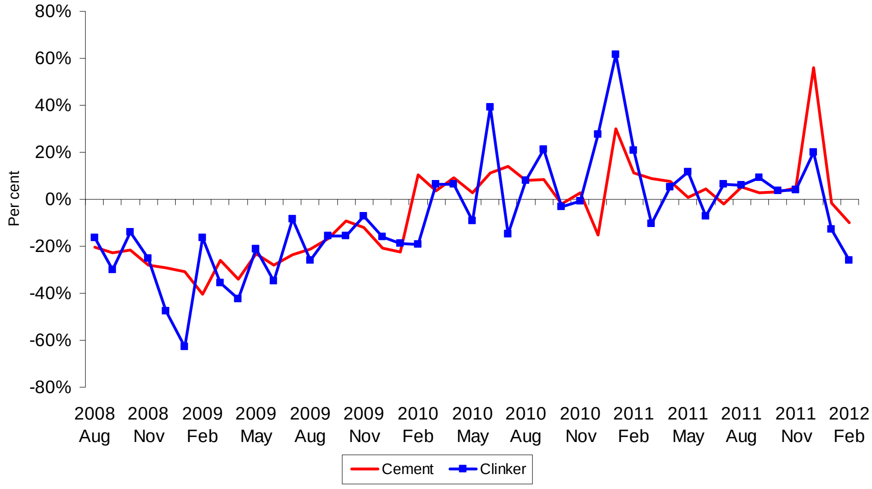
Chart 3: Sales of Sand and Gravel, GB
Percentage change over a year earlier (%)



Source: Table 4 Monthly Statistics of Building Materials and Components

Sales of Sand and Gravel in Great Britain decreased by 8.8% on the quarter in 2011Q4, to 13.4 million tonnes. This is a continuation of the decline seen in the previous quarter (Q3) which followed solid increases in Q1 and Q2. However, compared to the same quarter last year, sales rose (up 4.9%), as was the case in the previous three quarters in 2011.

Chart 4: Production of Cement and Clinker, GB
Percentage change over a year earlier (%)

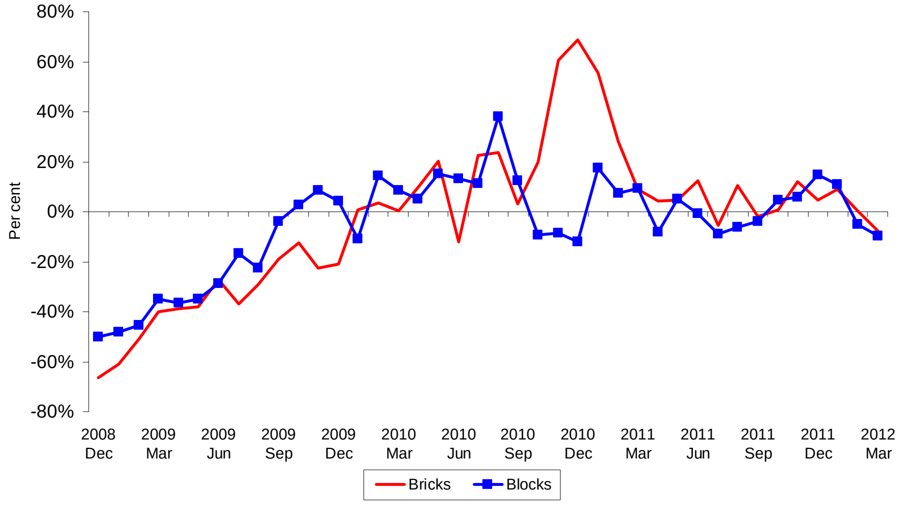


Source: Table 8 Monthly Statistics of Building Materials and Components

Cement production fell by 10.0% to 602 thousand tonnes in the year to February 2012. This is the second successive month in which production fell on a year-on-year basis and follows five successive months of positive year-on-year growth.

Production of Clinker also fell on a year-on-year basis in February (by 26.0%), the second successive decrease after six successive increases on this basis.

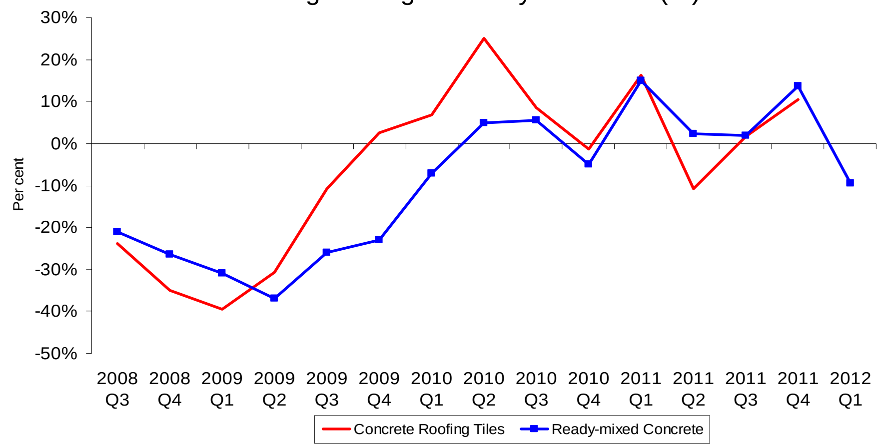
Chart 5: Production of Bricks and Blocks, GB
Percentage change over a year earlier (%)



Source: Tables 9 and 11 Monthly Statistics of Building Materials and Components

In the year to March 2012, production of Bricks fell by 7.9%. while Blocks production fell by 9.6%. For Bricks this was the largest year-on-year fall since June 2010 and for Blocks it was the largest since December 2010.

Chart 6: Deliveries of Concrete Roofing Tiles (GB) and Ready-mixed Concrete (UK)
Percentage change over a year earlier (%)

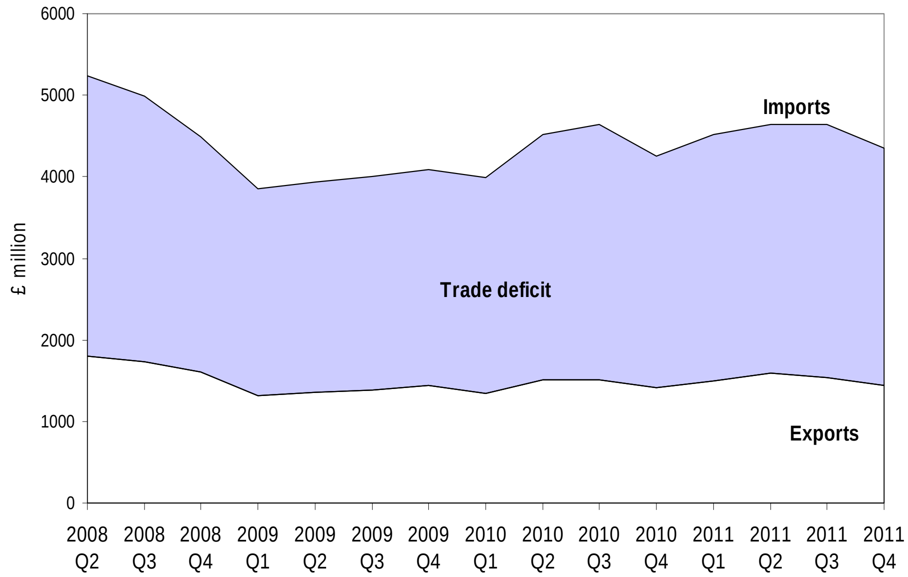


Source: Table 13 Monthly Statistics of Building Materials and Components

Deliveries of Concrete Roofing Tiles continued to recover from a year-on-year fall of 10.7% in 2011Q2, rising by 1.6% on this basis in 2011Q3 and by 10.6% in 2011Q4.

Deliveries of Ready-mixed Concrete fell by 9.5% in the year to 2012Q1, the first year-on-year fall since 2010Q4.

Chart 7: Exports and Imports of Construction Materials, UK
£million



Source: Table 14 Monthly Statistics of Building Materials and Components

Exports of construction materials fell by 6.6% on the quarter in 2011Q4 (to £1,441 million) while imports also fell, by 6.1% (to £2,909 million). As a result, the trade deficit narrowed by £89 million, to £1,468 million, in 2011Q4.

The decrease in the trade deficit in 2011Q4 was due to a narrowing in the trade deficit in ‘products and components’ and ‘semi-manufactures’, of £68 and £37 million, respectively. Over the same period, the trade deficit in ‘raw materials’ widened by £15 million.

Table 2: Top-5 Exported and Imported Construction Materials, UK 2011

£ million

Top-5 Exported Materials		Top-5 Imported Materials	
Paints & Varnishes	621	Electrical Wires	1,346
Electrical Wires	572	Structural Units (steel)	643
Structural Units (steel)	470	Sawn Wood > 6mm thick	620
Lamps & Fittings	266	Air Conditioning Equip.	580
Air Conditioning Equip.	263	Central Heating Boilers	571

Source: Table 14 Monthly Statistics of Building Materials and Components

The top five exported materials were Paints and Varnishes, Electrical Wires, Structural Units (Steel), Lamps & Fittings and Air Conditioning Equipment.

The top five imported construction materials in 2011 were Electrical Wires, Structural Units (Steel), Sawn Wood (more than 6mm thick), Air Conditioning Equipment and Central Heating Boilers.

Table 3: UK Trade of Construction Materials with EU and Non-EU Countries, 2011

£million (% of total trade in italics)

All Building Materials & Components	EU	Non-EU
Exports	3,763	2,299
	62%	*38%*
Imports	7,680	4,407
	64%	*36%*

Source: Table 15 Monthly Statistics of Building Materials and Components

In 2011, around 64% of all building material imports were from EU countries, while 62% of exports were to EU countries.

Table 4: Top 5 UK Export and Import Markets for Construction Materials in 2011

£ million

Top-5 Export Markets		Top-5 Import Markets	
Ireland	*819*	Germany	*1,845*
Germany	*629*	China	*1,661*
France	*545*	Italy	*887*
Netherlands	*465*	Netherlands	*701*
USA	*373*	Spain	*588*

Source: HMRC Overseas Trade Statistics

UK's largest export market for building materials was Ireland, followed by Germany, France, the Netherlands and the USA.

The largest import market was Germany, followed by China, Italy, the Netherlands and Spain.

Economic background

Preliminary estimates of GDP, published by the Office for National Statistics (ONS) on 25 February, showed that the UK economy fell back into recession in the first quarter of 2012. GDP fell on a quarterly basis by 0.2% in 2012Q1, after contracting by 0.3% in 2011Q4.

The breakdown of the data indicated that the decline in GDP was driven by the construction sector. Having fallen by 0.2% in the previous quarter, construction output suffered a steep decline of 3.0% in 2012Q1. Industrial production (down 0.4%) also contracted for the second consecutive quarter, reflecting falls in manufacturing (down 0.1%) and mining and quarrying (down 3.6%) output. By contrast, the dominant services sector, which accounts for more than three quarters of total GDP, avoided recession, expanding modestly by 0.1%.

The return of the UK economy to recession took most analysts by surprise; the consensus forecast was for 0.1% growth, based on business survey evidence published recently (e.g. CIPS/Markit) pointing to solid growth in activity in all broad sectors of the economy in the first quarter of the year.

Looking ahead, the average private sector forecast published by Consensus Economics is for GDP growth of 0.7% in 2012 and 1.8% in 2013. The weak outlook this year partly reflects an anticipated slowdown in manufacturing activity, which is set to grow by just 0.1%. The outlook for the construction sector also appears gloomy. Leading forecasters such as the Construction Products Association (CPA) and Experian expect the industry to contract by around 3-4% this year, reflecting the intensification of the fiscal consolidation and the persistence of tight lending conditions and general economic uncertainty holding back private sector activity. In addition to these influences, there are risks associated with the ongoing Eurozone debt crisis and the potential for inflation to stay elevated at home as a result of supply-side disruptions in oil-producing countries - factors which could further weigh on confidence and activity.

Further ahead, prospects for both manufacturing and construction look more promising. According to Consensus Economics, manufacturing growth will strengthen to 2.0% in 2013. Next year is also likely to see a return to growth for the construction sector. According to Experian, growth will reach 1.3% in 2013 and gather pace (4.7%) in 2014 as the negative impact of the public spending cuts subsides and private sector activity picks up. CPA's longer-term forecasts are also upbeat. Although growth is expected to be flat next year, it is forecast to accelerate to over 3% in 2014 and 5% in both 2015 and 2016, driven by private housing and commercial activity.

Background notes

Quality information for the Building Materials bulletin

1. The United Kingdom Statistics Authority has designated these statistics as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics.
   Designation can be broadly interpreted to mean that the statistics:
   - meet identified user needs;
   - are well explained and readily accessible;
   - are produced according to sound methods, and
   - are managed impartially and objectively in the public interest.

   Once statistics have been designated as National Statistics it is a statutory requirement that the Code of Practice shall continue to be observed. The full assessment report, published on 22nd December 2011, can be found on the UK Statistics Authority website.

2. Quality issues related to the *Building Materials and Components* outputs are discussed in the review of the Building Material statistics that was carried out in 2010 by BIS's construction team. The review aimed to: ascertain user needs; examine whether existing data collection methodologies are fit for purpose; estimate compliance costs; assess compliance with the Code of Practice; and identify options for change.

   The full report can be found on the BIS *Building Materials and Components* webpage.

   Detailed information on data suppliers, coverage and data collection methodology can be found in sections 2.1-2.10. Quality issues (coverage and accuracy of sample panels, response rates, survey results processing, disclosure etc.) and potential measures that could be employed to improve the quality of the statistics are discussed in section 2.11 of the review. Users' views on the quality of the *Building Materials and Components* statistics are given in section 3.3.4. These are derived from a user survey carried out in early 2010, as part of the review (see section 3 for details).

3. Following the review, BIS acted on the recommendations including commissioning the Office for National Statistics Methodology Advisory Service (ONS/MAS) to address some of the recommendations from the 2010 review. In July 2011, MAS published their preliminary findings. ONS/MAS are due to complete their work in March 2012 which will inform a full summary Quality Report that will be published by BIS.

4. HM Revenue and Customs use administrative sources to produce Overseas Trade Statistics. A *Statement of Administrative Sources* used to compile construction material trade statistics is available on the BIS *Building Materials and Components* webpage:

   Separately, HM Revenue and Customs also have a *Statement of Administrative Sources* which covers Overseas Trade Statistics.

5. *The Pre-Announcement of Amendments to the May 2011 'Monthly Statistics of Building Materials and Components' Publication* also details some methodological changes to the collection of data.

6. The following table gives a summary of response rates related to some of the latest survey results. Where the response rate is less than 100%, estimates are made for missing values.

Latest data used in April 2012 edition	Bulletin table number	Response rate
Quarterly Sand and Gravel	4, 5 & 6	94%
Quarterly Sand and Gravel – Land Won	4, 5 & 6	58%
Quarterly Sand and Gravel – Marine Dredged	4, 5 & 6	100%
Quarterly Slate	7	77%
Monthly Bricks Provisional data	9	96%
Monthy Bricks Final data	9 & 10	100%
Monthly Concrete Blocks Provisional data	11	83%
Monthly Concrete Blocks Final data	11	100%
Quarterly Concrete Blocks Final data	11 & 12	100%
Quarterly Roofing Tiles	13	100%

Uses of the data

7. The *Building Materials and Components* statistics are used for a variety of purposes, including policy development and evaluation concerning the construction products industry, as well as monitoring market trends. In a wider context, the figures are regularly reported in the construction press to facilitate market analysis and business planning for its wide range of readers. The statistics are also increasingly used by financial institutions for assessing market information and industry trends. For more information on the uses of the Building Materials statistics, their usefulness to users and users' views on the quality of these statistics, see Section 3 of the *Building Materials and Components* review.

Related Statistics

8. In its monthly **Index of Production (IoP)** publication, the ONS publishes Gross Value Added (seasonally adjusted, UK) data for the following two industries:

- SIC 23.1-4/7-9 which includes the manufacture of bricks, tiles and other construction products.
- SIC 23.5-66 industry which includes the manufacture of concrete, cement and other products for construction purposes.

These data are not directly comparable with the data in this bulletin, due to differences in coverage and methodology. They are nevertheless useful in illustrating the latest output trends of related construction materials as measured by the ONS.

The latest IoP data show that output in the SIC 23.1-4/7-9 industry fell by 7.2% in the year to February 2012. This was the second successive month in which output fell on this basis, following a 12-month period in which the sector recorded uninterrupted year-on-year growth. In 2011 as a whole, the industry expanded by 7.0%, up from 3.2% in 2010.

In the year to February 2012, output in the SIC 23.5-66 industry fell sharply by 22.7%, following another sharp fall of 10.5% in the year to January 2012. In 2011 as a whole, the sector experienced a 5.1% decline in output, more than offsetting the 4.6% gain in output recorded in the previous year.

Turning to the **construction contracting sector**, the latest ONS data indicate that construction output fell by 4.6% in the year to February, a faster pace of decline than that recorded in the year to January (down 0.9%). Looking at 2011 as a whole, the pace of growth has moderated substantially, to 2.6%, from 8.3% in 2010. This was predominantly due to a slowing in publicly-funded construction activity and, to a lesser extent, weaker growth in private house-building and infrastructure activity.

Revisions

9. Our revisions policy can be found on the BIS Building Materials webpage.

10. The pre-announcement of any major changes to samples or methodology and Pre-announcements and Summary of Revisions give further information on revisions and other changes to data and can also be found on the BIS Building Materials webpage.

Further information

The coverage of cement and cementitious statistics changed from UK to GB in 2002 due to data confidentiality issues in Northern Ireland as the number of manufacturers decreased. Where the coverage of figures for other building materials is limited to Great Britain (i.e. sales of sand and gravel, and production, deliveries and stocks of slate, clinker, bricks, concrete building blocks and concrete roofing tiles), no equivalent data are collected for Northern Ireland.

The most recently published bulletin and accompanying data tables can be found on BIS' *Building Materials and Components* website

Accompanying tables with data relating to 2011 are accessible from this link.

Accompanying tables for 2005 - 2010 are accessible from this link.

Requests for older data should be sent to MaterialStats@bis.gsi.gov.uk

Please send us any comments or feedback you may have about this commentary.

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