Department for Business Innovation & Skills

Monthly Statistics of Building Materials and Components

Commentary

December 2012

Coverage: UK and Great Britain
Geographical area: Country, region and county
Date of publication: 9 January 2013

Headline results:

- The ‘All Work’ Construction Material Price Index rose by 1.0% in the year to November, down from 1.2% in October. This follows a downward trend in annual inflation seen in each of the eight months to August.
- The construction materials experiencing the largest price increases in the year to November were Sand & Gravel excluding levy (up 8.8%), Coated Roadstone excluding levy (up 8.5%) and Sand and Gravel including levy (up 7.5%).
- In the year to November, production of bricks fell by 17.0% and production of blocks rose by 12.8%.
- Exports of construction materials rose by 0.3% on the quarter in 2012Q3 (to £1,413 million). Imports fell by 2.9% (to £2,960 million). As a result, the trade deficit narrowed by £91 million, to £1,547 million, in 2012Q3.

Introduction

This commentary accompanies the latest Monthly Statistics of Building Materials and Components bulletin, published on the BIS Construction website on 9 January 2013.

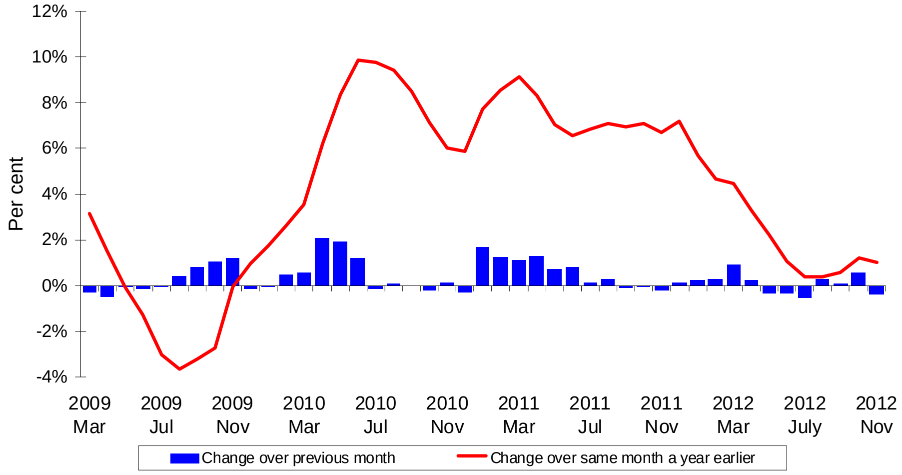
It aims to provide a brief overview of recent trends in the data presented in the bulletin. These data cover the following building materials statistics (in parentheses, the data collection frequency and the geographical area covered):

- 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 (%)

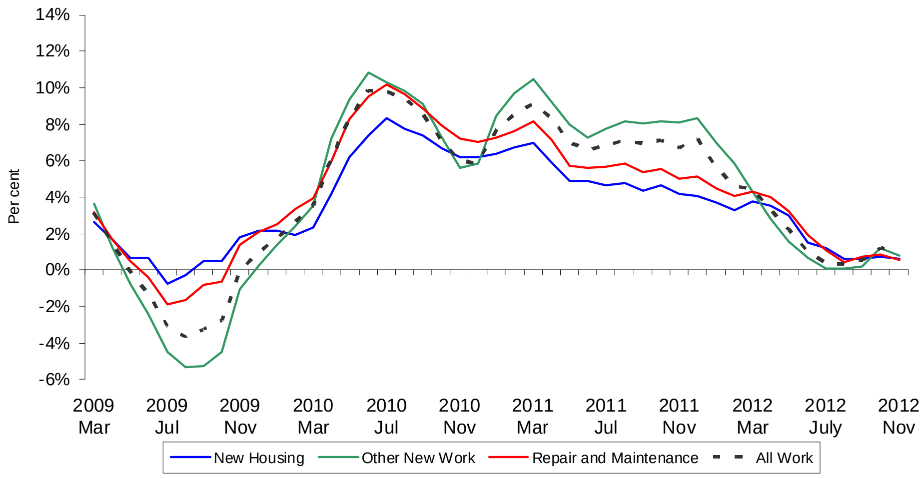


Source: Table 1 Monthly Statistics of Building Materials and Components

The headline 'All Work' Construction Material Price index fell by 0.4% on the month in November, following a 0.6% rise on the month in October.

Annual inflation fell to 1.0% in November, from 1.2% in October. This is 6.2 percentage points down from the recent peak of 7.2% in December 2011.

Chart 2: Growth in Construction Material Price Indices, UK
Percentage change over a year earlier (%)



Source: Table 1 Monthly Statistics of Building Materials and Components

Annual construction material price inflation saw a fall across all construction sub-sectors in November.

The 'Repair and Maintenance' sector saw annual inflation falling to 0.6% in November, from 0.9% in October. Over the same period, annual inflation in the 'New Housing' sector fell to 0.6%, from 0.7%, and in the 'Other New Work' sector it fell to 0.8% from 1.2%.

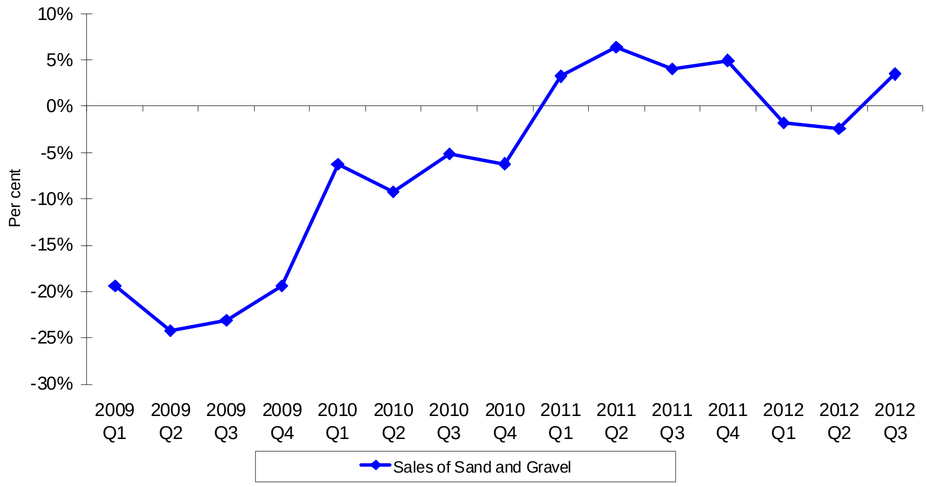
Table 1: Construction materials experiencing the largest price increases and decreases in the year to November 2012, UK

Construction Materials	% change on a year earlier
Largest price increases	
Sand and Gravel (excluding levy)	8.8
Coated Roadstone (excluding levy)	8.5
Sand and Gravel (including levy)	7.5
Largest price decreases	
Concrete reinforcing bars	-8.2
Fabricated Structural Steel	-3.6
Crushed Rock (excluding levy)	-2.8

Source: Table 2 Monthly Statistics of Building Materials and Components

Sand & Gravel excluding levy (up 8.8%), Coated Roadstone excluding levy (up 8.5%) and Sand & Gravel including levy (up 7.5%) experienced the largest price increases in the year to November. Over the same period, Concrete Reinforcing Bars (down 8.2%), Fabricated Structural Steel (down 3.6%) and Crushed Rock excluding levy (down 2.8%) experienced the largest price falls.

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

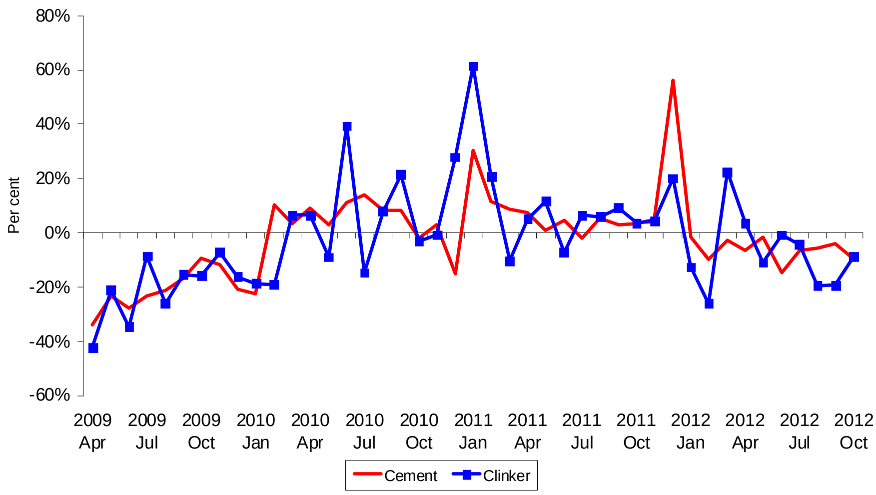


Source: Table 4 Monthly Statistics of Building Materials and Components

Sales of Sand and Gravel in Great Britain increased by 5.0% on the quarter in 2012Q3, to 15.2 million tonnes, the highest volume sold since 2009Q2. This follows a quarterly increase of 4.2% in 2012Q2.

Compared to the same quarter last year, sales rose by 3.5% in 2012Q3, having fallen on this basis in the two previous quarters.

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

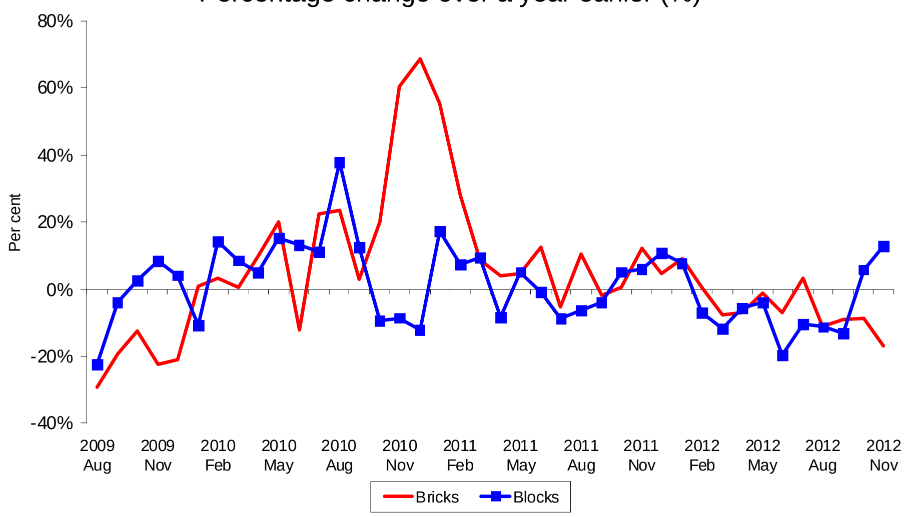


Source: Table 8 Monthly Statistics of Building Materials and Components

Cement production fell by 9.6% to 691 thousand tonnes in the year to October 2012. This is the tenth successive month in which production fell on a year-on-year basis, following five successive months of positive year-on-year growth.

Production of Clinker also fell in the year to October, by 8.8%, following a decrease of 19.4% in the year to September. This is the eighth decline on this basis since the start of the year.

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

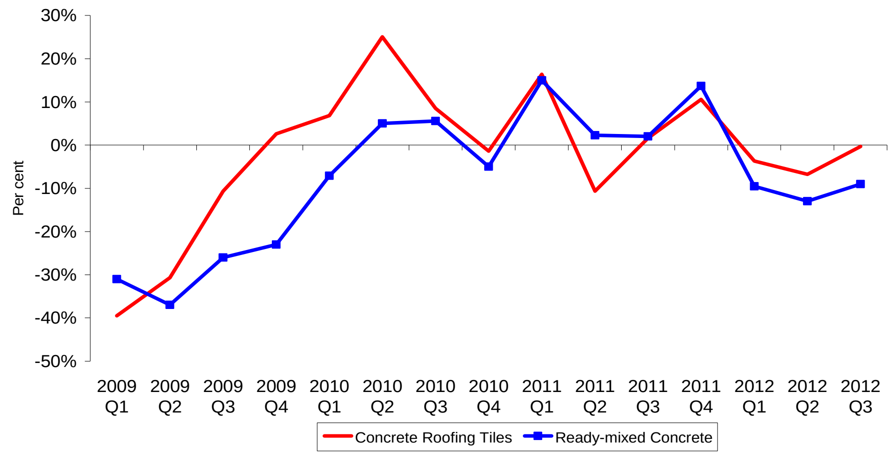


Source: Tables 9 and 11 Monthly Statistics of Building Materials and Components

In the year to November 2012, production of Bricks fell by 17.0%, the eighth decline on this basis in nine months.

Conversely, over the same period, production of Blocks rose by 12.8%, the second year-on-year rise since January 2012, following an increase of 5.9% in the year to October.

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

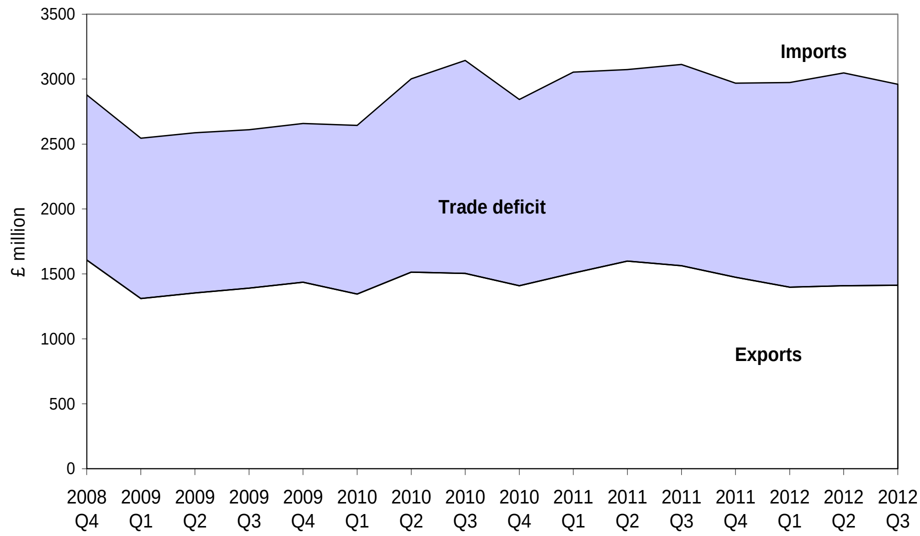


Source: Table 13 Monthly Statistics of Building Materials and Components

Deliveries of Concrete Roofing Tiles declined on a year-on-year basis for the third successive quarter in 2012Q3 (down 0.3%), after increasing on this basis in the second half of 2011.

Deliveries of Ready-mixed Concrete fell by 9.0% in the year to 2012Q3, after a year-on-year fall of 13.0% in 2012Q2 and 9.5% in 2012Q1.

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



Source: Table 14 Monthly Statistics of Building Materials and Components

Exports of construction materials rose by 0.3% on the quarter in 2012Q3 (to £1,413 million). Imports fell by 2.9% (to £2,960 million). As a result, the trade deficit narrowed by £91 million, to £1,547 million, in 2012Q3.

The decrease in the trade deficit in 2012Q3 was largely due to a narrowing in the trade deficit in ‘semi-manufactures’ by £86 million. The trade deficit in ‘Raw materials’ also narrowed, by £6 million, whilst the ‘products and components’ stayed the same.

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

£ million

Top-5 Exported Materials		Top-5 Imported Materials	
Paints & Varnishes	622	Electrical Wires	1,347
Electrical Wires	572	Structural Units (Steel)	648
Structural Units (Steel)	473	Sawn Wood > 6mm thick	623
Lamps & Fittings	267	Air Conditioning Equip.	576
Air Conditioning Equip.	263	Central Heating Boilers	572

Source: Table 14 Monthly Statistics of Building Materials and Components

The top five exported materials in 2011 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 (thicker than 6mm), 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	3,836	2,308
	62%	*38%*
Imports	7,791	4,415
	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	837	Germany	1,912
Germany	634	China	1,664
France	562	Italy	899
Netherlands	469	Netherlands	702
USA	373	Spain	586

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

The third estimate of GDP by the ONS this month saw GDP rise by 0.9% on the quarter in 2012Q3, revised down by 0.1ppt from last month's second estimate. The UK economy has generally experienced subdued growth since late 2010, with it contracting by a total of 0.9% in the three quarters from 2011Q4 to 2012Q2. The ONS re-iterated that in 2012Q3 *"growth has been partly supported by special factors such as hosting the Olympic and Paralympic Games as well as the very weak second quarter growth which was affected by particularly the bad weather and reduction in working days caused by the Diamond Jubilee."*

Growth in the dominant sector of the economy, services, was revised down by 0.1ppts from last month's second estimate, with positive growth of 1.2%. This meant that service output remained the main driver of growth on the quarter in 2012Q3. Turning to the two other broad sectors of the economy, output in the production sector rose by 0.7%, revised down 0.2ppts. In contrast, construction output was revised up by 0.1ppts to -2.5%. According to separate figures published by ONS on 14 December, the fall in construction output was largely driven by falls in private commercial, private new housing and non-housing repair and maintenance output. Within production, manufacturing output rose by 0.7% (revised down by 0.2ppts).

Looking at the demand side of the economy, net trade was the biggest contributor to the GDP increase in 2012Q3 (as exports rose and imports fell), followed by government consumption, business investment and household consumption.

Going forward, most forecasters (including OBR, and those polled by Consensus Economics) expect the UK economy to marginally contract in 2012 but return to moderate positive growth in 2013. In the last month, the Office for Budget Responsibility has downgraded its expectations for the UK economy, expecting it to shrink by 0.1% in 2012. Growth of 1.2% is expected for 2013, however the equivalent forecast made in March was for 2.0% growth. Their recent GDP forecasts for each year from 2012 to 2016 were all downgraded compared with forecasts made in March. Consensus Economics forecasts (the average of private sector forecasts) expect similar growth (+1.1%) in 2013, following an expected fall of 0.1% in GDP this year. The forecast for 2013 is less positive than the one made last month (+1.3%) and they attribute this decreased expectation to recent downbeat construction and retail statistics, and manufacturing output unexpectedly declining on the month to October (-1.3%).

Turning to the prospects for construction and manufacturing, two major forecasters have downgraded their expectations for growth in the construction sector as part of their round of Autumn Forecasts. The Construction Products Association (CPA) and Experian expect construction output to fall by around 6.5-7.5% in 2012 and 1.5-2.5% in 2013, attributing the weak picture to severe cuts in public investment and the inability of the private sector to compensate for the cuts in public capital spending. The industry is expected to return to growth in 2014 but the rate of increase will be moderate by historical standards. However, growth is set to gather momentum from 2014 onwards, reaching around 4% in 2015 and 5% in 2015, according to CPA.

According to the latest Consensus Economics forecasts, manufacturing output is expected to decline by 1.4% in 2012, rather than by 1.0% forecast last month. Growth in the sector is forecast to return in 2013 (0.8%), a much worse picture than the forecasts for 2013 made in the first half of 2012, which ranged from 1.7%-2.0%.

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 interim report. In July 2012, MAS published their final report. This will inform a full summary Quality Report that will be published by BIS shortly.

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 any major changes to samples or methodology* 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 December 2012 edition	Bulletin table number	Response rate
Quarterly Sand and Gravel	4, 5 & 6	95%
Quarterly Sand and Gravel – Land Won	4, 5 & 6	61%
Quarterly Sand and Gravel – Marine Dredged	4, 5 & 6	100%
Quarterly Slate	7	83%
Monthly Bricks Provisional data	9	99%
Monthly Bricks Final data	9 & 10	100%
Monthly Concrete Blocks Provisional data	11	82%
Monthly Concrete Blocks Final data	11	98%
Quarterly Concrete Blocks Final data	11 & 12	98%
Quarterly Roofing Tiles	13	71%

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 15.4% in the year to October 2012. This was the tenth successive month in which output fell on this basis, following a 12-month period in which the sector recorded uninterrupted year-on-year growth. Since January 1997, the index (2009=100) was at its second lowest in October 2012 (it's lowest being in June 2012). In 2011 as a whole, the industry expanded by 7.1%, up from 2.5% in 2010.

In the year to October 2012, output in the SIC 23.5-6 industry fell by 14.5%, also the tenth consecutive fall on this basis, with 20 months in the last 24-month period seeing year-on-year declines. In 2011 as a whole, the sector suffered a 6.1% decline in output, more than offsetting a 4.7% increase in output recorded in 2010.

Turning to the **construction contracting sector**, the latest (non-seasonally adjusted) ONS data indicate that construction output fell by 5.1% in the year to October, a slower pace of decline than in the year to September (down 13.2%) and the tenth consecutive decline on a year-on-year basis. The fall in the year to October was driven by declines in private commercial, private housing repair and maintenance and new public non-residential output. In 2011 as a whole, the construction sector achieved growth of 2.2%, down substantially from 8.3% in 2010.

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 *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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