Department for Business Innovation & Skills

Monthly Statistics of Building Materials and Components

Commentary

November 2015

Coverage: UK and Great Britain
Geographical area: Country, region and county
Date of publication: 2nd December 2015

Contents

Headline results:

- **The imports and exports trade deficit widened**. Despite a decrease in both imports and exports, the trade deficit **increased** by **2.2%** to £1,968 million in Quarter 3 2015.

- **Brick deliveries fell**. Seasonally adjusted deliveries of bricks **fell 4.6%** in October compared to September. Deliveries are at their lowest point since April 2013.

- **Construction material prices fell**. The 'All Work' Construction Material Price Index **decreased** by **0.4%** in October 2015 compared to the previous month.

Introduction

Concrete blocks data: This is the second edition of the bulletin in which regional concrete blocks data are published monthly instead of quarterly. Table 12 has been re-designed to incorporate monthly regional data, which has been backdated to January 2015. We would welcome any feedback. Please send any comments to: MaterialStats@bis.gsi.gov.uk.

This commentary accompanies the latest Monthly Statistics of Building Materials and Components bulletin, published on the BIS building materials web page on 2nd December 2015. It aims to provide a brief overview of recent trends in the data presented in the bulletin.

The bulletin presents the latest detailed information on selected building materials and components. It covers 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 (annual, 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

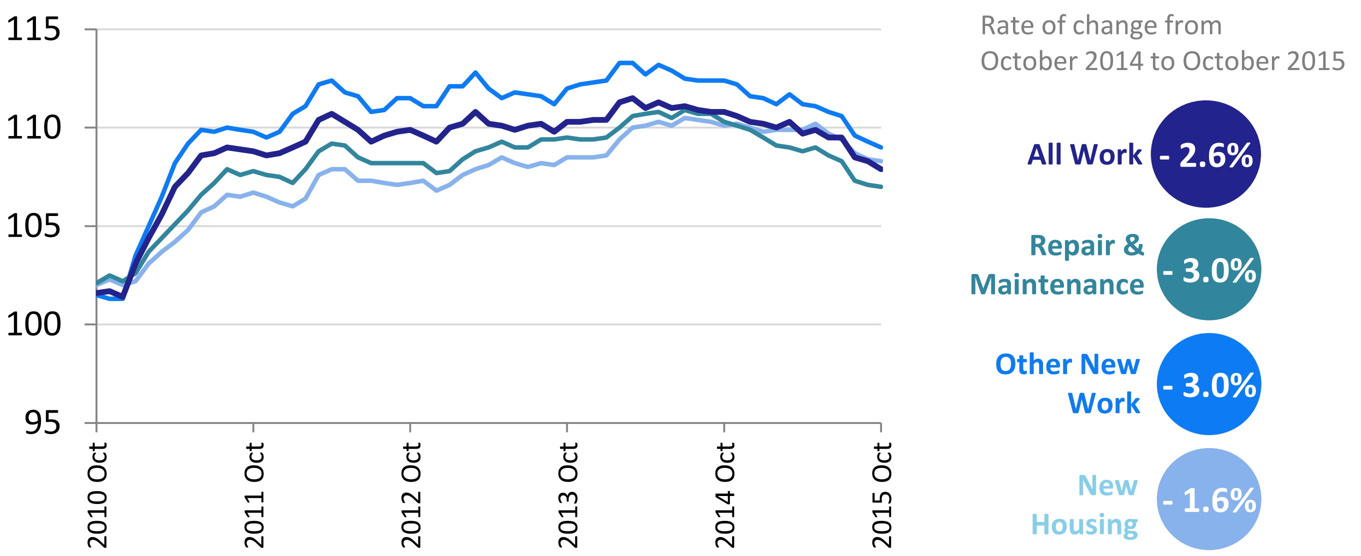
These statistics support analysis of the construction materials market and business planning. They are regularly reported in the construction press and are used for a variety of purposes, including policy development and evaluation concerning the construction products industry, as well as monitoring market trends. Further detail is available in this document under Uses of the data.

Seasonal Adjustment

Seasonally adjusted series for deliveries of bricks, concrete blocks, ready-mixed concrete and sales of sand & gravel are published in this bulletin. The purpose of correcting the reported series is to allow for seasonal factors such as winter weather (including the reduction in hours of daylight, and frost and rain) and other seasonal events such as Christmas and Easter. Thus seasonally adjusted figures show the underlying trend more clearly. Further information can be found in paragraph 2 of the Background Notes (see page 11).

Summary of results

Chart 1: Construction Material Price Indices, UK
Index, 2010 = 100



Source: Table 1, Monthly Statistics of Building Materials and Components

The headline 'All Work' Construction Material Price Index decreased by 0.4% in October 2015 compared to the previous month, following a 0.2% decrease in September. In September, 'New Housing', 'Other New-Work' and 'Repair and Maintenance' all decreased by 0.1%, 0.3% and 0.1% respectively. Looking at the longer term change, the 'All Work' material price index fell by 2.6% in October 2015 compared to the same month in the previous year. This is the 11th consecutive decrease on this basis.

From December 2010 to June 2011, construction material prices increased rapidly, rising by 7.0% over the period. The price of construction materials has been declining steadily since June 2014. It is now at its lowest point since May 2011.

Table 1: Construction materials experiencing the greatest price increases and decreases in the 12 months to October 2015, UK

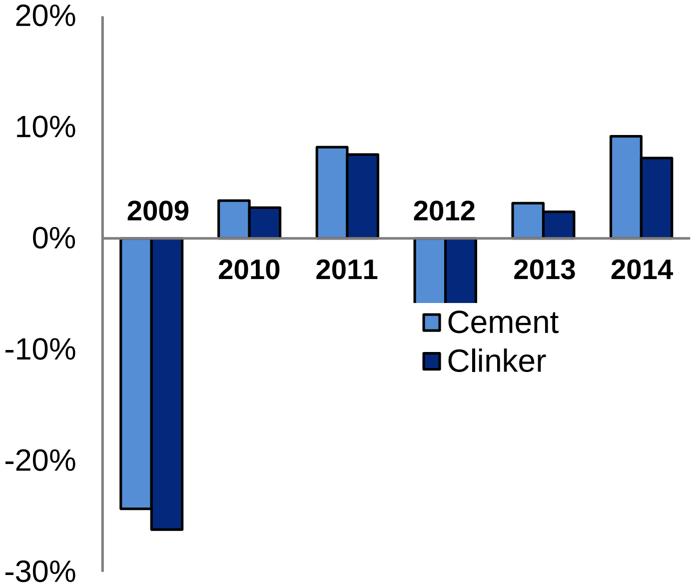
Construction Materials	% change on a year earlier
Greatest price increases	
Other builders' ironmongery	11.7
Blocks, bricks, tiles and flagstones	5.1
Pre-cast concrete products	4.3
Greatest price decreases	
Concrete reinforcing bars	-18.6
Fabricated structural steel	-11.9
Imported sawn or planed wood	-10.0

Source: Table 2, Monthly Statistics of Building Materials and Components

The aggregated construction material price index hides larger price movements for some specific products and materials. The three largest increases and decreases are presented here.

Steel prices have fallen significantly in recent months, largely due to the low cost of imported steel from China.

Chart 2: Production of Cement and Clinker, GB
Percentage change over previous year (%)

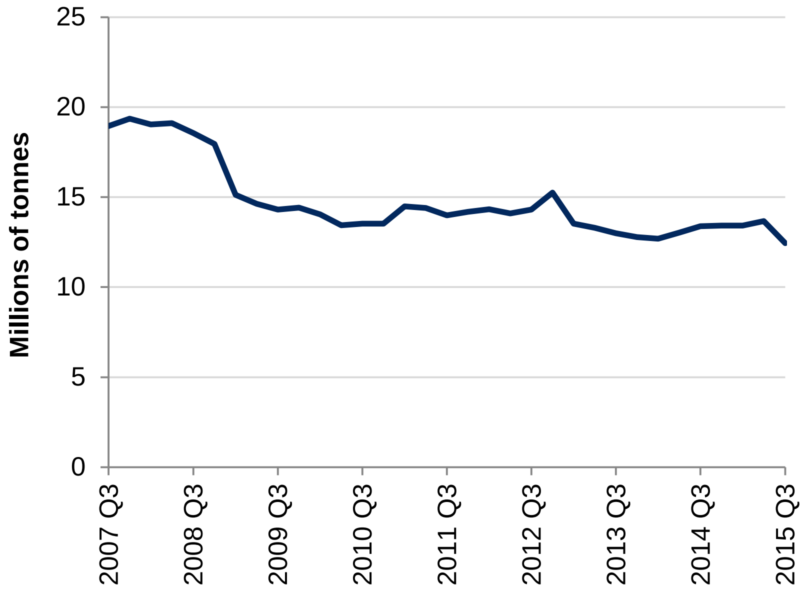


Source: Table 8, Monthly Statistics of Building Materials and Components

Cement production rose by 9.2% to 9.0 million tonnes in 2014, compared to the previous year. This growth in cement production follows growth of 3.2% to 8.2 million tonnes in 2013. Pre-recession production peaked in 2007 at 11.9 million tonnes.

Production of Clinker rose by 7.2% to 7.2 million tonnes in 2014, compared to the previous year. This growth in clinker production follows growth of 2.4% to 6.7 million tonnes in 2013. Pre-recession production, in 2007, stood at 10.2 million tonnes.

Chart 3: Seasonally Adjusted Sales of Sand & Gravel, GB
weight of sand & gravel



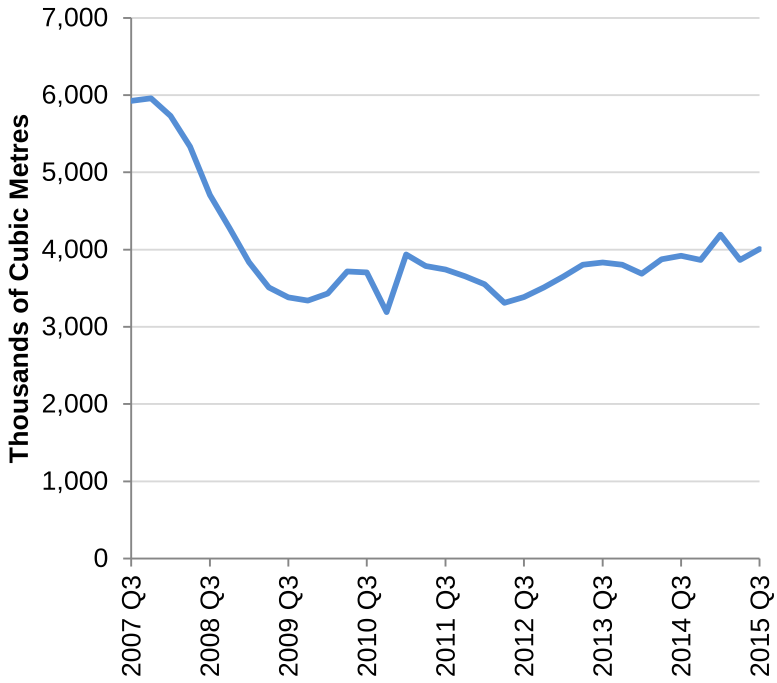
Source: Table 4, Monthly Statistics of Building Materials and Components

Seasonally adjusted sales of sand & gravel have declined since the recession, and have now reached their lowest point since the 1950s.

Sales of sand & gravel decreased 8.9% in Quarter 3 2015 compared to Quarter 2 2015, following an increase of 1.8% in Quarter 2 2015.

Comparing Quarter 3 2015 to the same quarter in the previous year, sales have decreased by 7.0%.

Chart 4: Seasonally Adjusted Sales of Ready-Mixed Concrete, GB
volume of concrete

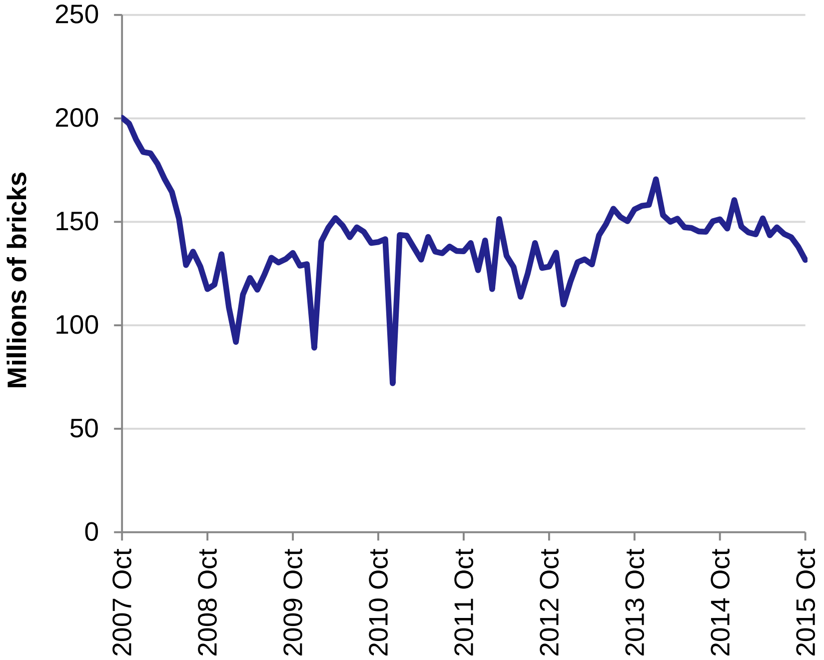


Source: Table 13, Monthly Statistics of Building Materials and Components

For ready-mixed concrete, the seasonally adjusted data show that the lowest quarterly sales in the post-recession period occurred in Quarter 4 2010, which included extreme winter conditions.

Sales have steadily recovered since Quarter 2 2012. Sales increased 3.6% in Quarter 3 2015 compared to Quarter 2 2015, following a 7.8% decrease in Quarter 2 2015. Sales in Quarter 3 2015 increased by 2.2% compared to the same quarter in the previous year, following a decrease in Quarter 2 2015, on the same basis.

Chart 5: Seasonally Adjusted Deliveries of Bricks, GB
number of bricks



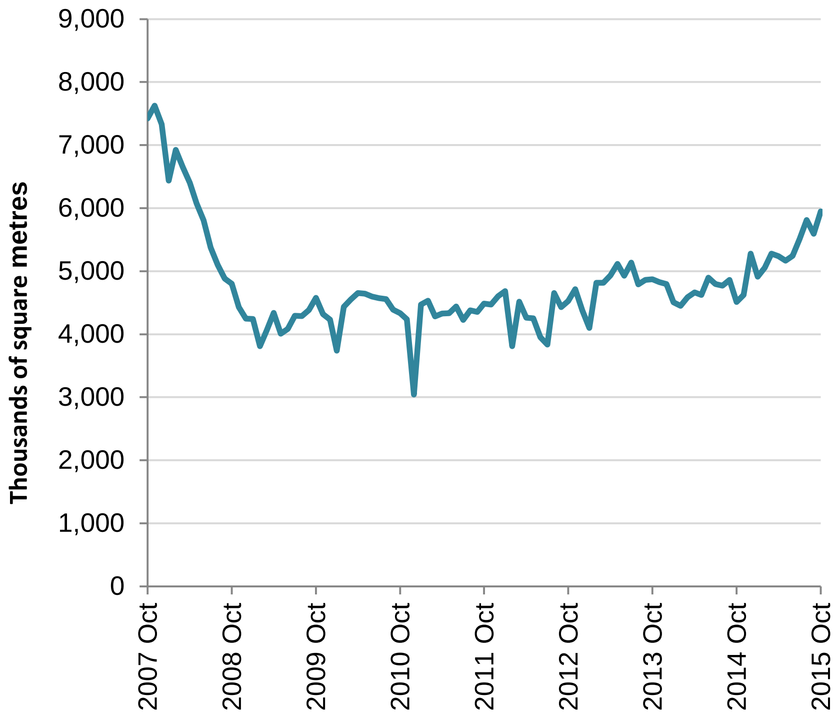
Source: Table 9, Monthly Statistics of Building Materials and Components

Brick deliveries declined during the recession, and reached their lowest value during the extreme cold weather in December 2010.

The seasonally adjusted figures for October 2015 show a 13.0% decrease in deliveries of bricks compared with October 2014. This follows an 8.3% decrease in September, on the same basis. The month-on-month change shows a 4.6% decrease in October, following a 3.4% decrease in September.

Brick deliveries are now at their lowest point since April 2013.

Chart 6: Seasonally Adjusted Deliveries of Concrete Blocks, GB
area of concrete blocks

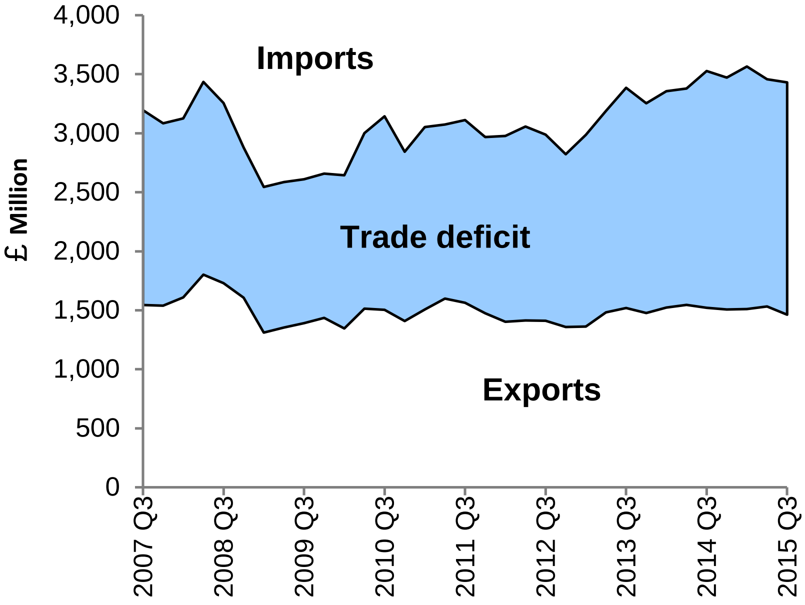


Source: Table 11, Monthly Statistics of Building Materials and Components

Concrete block deliveries declined during the recession, and reached their lowest value during the extreme cold weather in December 2010.

The seasonally adjusted deliveries figures show an increase of 31.9% in October 2015 compared to the same month in the previous year. This is the 11th consecutive increase on this basis, and follows an increase of 15.0% in September 2015 on the same basis. The month-on-month change shows an increase of 6.3% in October, following a decrease of 3.8% in September.

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



Source: Table 14, Monthly Statistics of Building Materials and Components

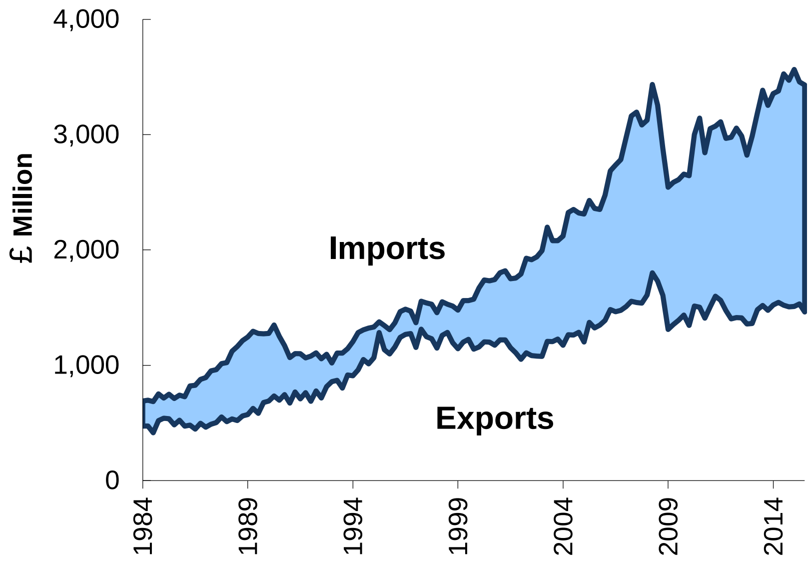
Imports of construction materials decreased by £26.6 million in the third quarter of 2015 (to £3,431 million) compared to the previous quarter, a decrease of 0.8%.

Exports decreased in the third quarter of 2015 by £69.8 million (to £1,462 million), a 4.6% decrease.

As a result, the **trade deficit widened** by £43.2 million to £1,968 million in Quarter 3 2015, an increase of 2.2%

The increase of the trade deficit in Quarter 3 2015 was largely due to an increase in the trade deficit for products & components of £60.1 million. This was largely offset by a decrease for semi-manufactures of £10.9 million.

Chart 8: Exports and Imports of Construction Materials, UK. 1984 to present.
£ Billion



Source: Table 14, Monthly Statistics of Building Materials and Components

Over the period from Quarter 1 1984 to Quarter 3 2015, construction materials imports have increased, on average, by 3.2% per quarter. Over the same period, exports increased by an average of 1.7% per quarter.

The trade deficit was historically at its smallest throughout the 1990s, with a mean of £0.3 billion over this period. This trade deficit was 24% of the value of imports. Currently (Quarter 3 2015), the trade deficit is £1,969 million, 57% of the value of imports.

Table 2: Top-5 UK Exported and Imported Construction Materials in 2014

£ Million

Top-5 Exported Materials		Top-5 Imported Materials	
Paints & Varnishes	*670*	Electrical Wires	*1,574*
Electrical Wires	*644*	Sawn Wood > 6mm thick	*847*
Plugs & Sockets	*290*	Lamps & Fittings	*813*
Lamps & Fittings	*283*	Central Heating Boilers	*591*
Air Conditioning Equip.	*270*	Air Conditioning Equip.	*534*

Source: Table 14, Monthly Statistics of Building Materials and Components

The top five exported materials in 2014 accounted for 35% of total construction material exports.

The top five imported construction materials in 2014 accounted for 32% of total construction material imports.

Table 3: UK Trade of Construction Materials with EU and Non-EU Countries, 2014

£ Million (% of total trade in italics)

All Building Materials & Components	EU	Non-EU
Imports	8,534	5,194
	62%	*38%*
Exports	3,601	2,489
	59%	*41%*

Source: Table 15, Monthly Statistics of Building Materials and Components

Compared to pre-recession levels in 2007, the share of total UK construction material exports going to the EU has declined from 70% to 59%.

Table 4: Top 5 UK Export and Import Markets for Construction Materials in 2014

£ Million

Top-5 Export Markets		Top-5 Import Markets	
Republic of Ireland	784	China	2,174
Germany	581	Germany	2,053
France	530	Italy	896
USA	474	Spain	716
Netherlands	443	Netherlands	658

Source: HMRC Overseas Trade Statistics

The top five export markets comprised 46% of total construction materials exports in 2014. The Republic of Ireland remains the largest market, despite having shrunk from a pre-recession peak of 27% of total exports in 2007, to 13% in 2014.

The top 5 import markets comprised 47% of total construction materials imports in 2014. China has overtaken Germany as the leading source of UK construction material and component imports, with 16% of all imports.

The 'Rotterdam Effect' (also known as the 'Antwerp Effect') may affect trade figures. This is explained in detail by HM Revenue & Customs.

Economic Background

Construction Output

The most recent construction output figures for September 2015 and Quarter 3 2015 were published by the **Office for National Statistics** on 13th November 2015.

Key points:

- In September 2015, output in the construction industry was estimated to have decreased by 0.2% compared with August 2015.
- Output decreased by 1.6% in September 2015 compared with September 2014.
- In Quarter 3 2015, output was estimated to have decreased by 2.2% compared with Quarter 2 2015, unchanged from the estimate included in the preliminary estimate of gross domestic product published on 27th October.
- Downward pressure on the quarter came from both All New Work and Repair & Maintenance which fell by 2.2% and 2.1% respectively; with all work types except Infrastructure new work and Private Industrial new work reporting decreases.

Bank of England Summary of Business Conditions

The **Bank of England** published its latest Agents' Summary of Business Conditions for Quarter 3 2015 on the 16th of September 2015.

Key points:

- It was reported that demand for commercial property had increased, however housing market activity had picked up by less than what was expected.
- Construction output growth had edged up as commercial development activity had risen alongside robust house building activity.
- Rising demand for office and industrial space had encouraged more commercial development. Older office space had increasingly been converted into residential or student accommodation.
- Growth in retail construction had remained relatively subdued.

Gross Domestic Product Estimate

The **Office for National Statistics** published a second estimate to gross domestic product for Quarter 3 2015 on 27th November 2015.

Key points:

- GDP is estimated to have increased by 0.5% in Quarter 3 2015 compared to Quarter 2 2015.
- This compares with growth of 0.7% in the previous quarter.
- Manufacturing fell by 0.4%.
- GDP was 2.3% higher in Quarter 3 2015 compared with the same quarter in the previous year.

Gross Domestic Product Forecast

The latest monthly **Consensus Economics** forecast survey (which uses an average of private sector forecasts) was carried out on 9th November 2015.

Key points:

- No changes were made to its GDP growth revisions compared to the October survey.
- The GDP growth forecast for 2015 remained at 2.5% growth.
- The forecast for 2016 remained at 2.4% growth.

The **Office for Budget Responsibility** published its most recent Economic and Fiscal Outlook on 25th November 2015.

Key points:

- The GDP growth forecast for 2015 remained at 2.4%.
- The forecast for 2016 was revised upwards to 2.4% growth, a revision of 0.1 percentage points.

Construction Output Forecasts

This autumn, **Experian** published their forecasts for the construction sector.

Key points:

- Their prediction for 2015 was revised downwards, to 3.5% growth, a fall of 2.0 percentage points compared to their spring estimate.
- Expectations for 2016 were revised downwards, to 3.6% growth, with a further 4.3% forecast for 2017.
- Strong growth is predicted in 2015 for new work. Most notably, there are forecasts of 25.0% growth for Infrastructure, 7.0% for Private Industrial and 6.0% for Private Housing.
- Repair & Maintenance is predicted to decline, with a fall of 0.5% expected.

This autumn, the **Construction Products Association** published their forecasts for the construction sector.

Key points:

- The construction sector is expected to grow by 3.6% in 2015, revised downwards from 4.9% in their summer forecast.
- Output is expected to rise a further 3.8% in 2016.
- Overall, output is forecast to grow by 21.7% between 2015 and 2019.
- Growth in 2015 is expected to be driven by rising output in Private Housing starts (+7.0%), Commercial Offices (+8.0%), and Infrastructure (+13.2%).
- Energy construction is expected to rise by 118.1% by 2019, driven by ongoing nuclear decommissioning work and plans to build Hinkley Point C nuclear power station.

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. In work done for the Department for Business, Innovation and Skills (BIS) on improving the quality of statistics published in the Monthly Statistics of Building Materials and Components, the Office for National Statistics' Methodology Advisory Service (MAS) recommended that BIS should start seasonally adjusting key data series (see ONS/MAS review of building materials statistics: final report for more detail). Seasonal adjustment is widely used in official statistics and aids data interpretation by removing effects associated with the time of the year or arrangement of the calendar. Seasonal effects frequently obscure features of interest in data, such as long term trends and the effects of unusual occurrences. By removing seasonal effects, users can more readily identify the features of interest.

   Following advice from the MAS, and the results of a consultation (see the results of the BIS consultation on seasonal adjustment for more detail), BIS agreed to publish seasonally adjusted data for the following series:

   Sand and gravel, total sales
   Concrete blocks, all types deliveries
   Bricks, all types deliveries
   Ready-mixed concrete, deliveries

   For the initial publication of seasonally adjusted data, data from 1983 onwards will be seasonally adjusted. Subsequently, for each monthly publication, data up to 12 months or 4 quarters previous to the new data point will be revised. Upon the completion of each year's data series, data for the previous 12 years will be revised. BIS will publish both non-seasonally adjusted and seasonally adjusted data in the tables of this publication. **From the June 2015 edition of this publication onwards, BIS will only publish seasonally adjusted data in the commentary.**

3. 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).

4. 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 Quality & Methodology Information report that will be published by BIS shortly.

5. 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.

6. The pre-announcement of any major changes to samples or methodology also details some methodological changes to the collection of data.

7. 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.

For latest data used	**Bulletin table number**	**Response rate**
Quarterly Sand and Gravel	4, 5 & 6	88%
Quarterly Sand and Gravel – Land Won	4, 5 & 6	84%
Quarterly Sand and Gravel – Marine Dredged	4, 5 & 6	100%
Quarterly Slate	7	100%
Quarterly Concrete Roofing Tiles	13	100%
Monthly Bricks Provisional data	9	79%
Monthly Bricks Final data	9 & 10	100%
Monthly Concrete Blocks	11	95%

Uses of the data

8. 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

9. Construction Statistics: Sources and Outputs lists the known sources of information available on the construction industry and their outputs. These include information on employees, employment, enterprises, output and new orders in the construction industry as well as the contribution of the industry to the economy. Related information, for example housing, is also included.

10. The Construction Statistics Annual brings together a wide range of statistics currently available on the construction industry from a variety of sources and provides a broad perspective on statistical trends in the construction industry, with some international comparisons.

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

    - SIC 23.1-4/7-9 industry, which includes the manufacture of bricks, tiles and other construction products.
    - SIC 23.5-6 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 Office for National Statistics.

The latest **Index of Production** data for September 2015 were published on 6th November 2015.

Key points for the SIC 23.1-4/7-9 *industry:*

- Output grew by 2.1% in Quarter 3 2015, when compared to the same quarter in the previous year.
- When comparing September 2015 with September 2014, output decreased by 0.3%.
- When comparing September 2015 with August 2015, output grew by 3.4%.

Key points for the SIC 23.5-6 *industry:*

- Output decreased by 11.0% in Quarter 3 2015, when compared to the same quarter in the previous year.
- When comparing September 2015 with September 2014, output decreased by 11.3%.
- When comparing September 2015 with August 2015, output decreased by 0.2%.

Revisions

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

13. 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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