# Monthly Statistics of Building Materials and Components

Commentary

July 2012

Coverage: UK and Great Britain
Geographical area: Country, region and county
Date of publication: 1 August 2012

## Headline results:

- The 'All Work' Construction Material Price Index annual inflation continued its recent downward trend, posting 1.0% in June, down from 2.9% in May.
- The construction materials experiencing the largest price increases in the year to June were Coated Roadstone excluding levy (up 10.2%), Metal Doors and Windows (up 8.0%) and Non-aqueous paint (up 7.9%).
- Production of bricks and concrete blocks fell by 6.6% and 22.5%, respectively, in the year to June.
- In 2012Q1, exports of construction materials fell by 5.5% (to £1,374 million) compared to the previous quarter. Imports also fell but by less than exports (down 0.9% to £2,915 million). As a result, the trade deficit in construction materials widened by £54 million, to £1,542 million, in 2012Q1.

# Introduction

This commentary accompanies the latest Monthly Statistics of Building Materials and Components bulletin, published on the BIS Construction website on 1 August 2012.

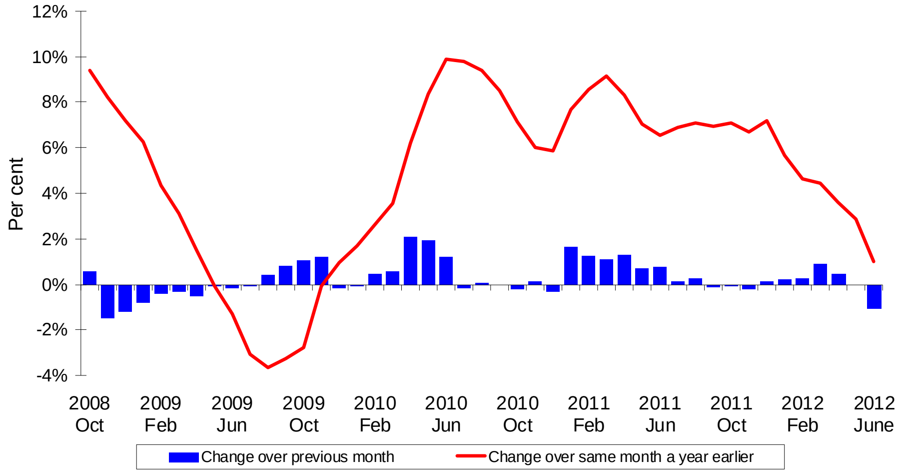
It aims to provide a brief overview of recent trends in the data presented in the bulletin. These data cover the following building materials statistics (in parentheses, the data collection frequency and the geographical area covered):

- 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 (%)

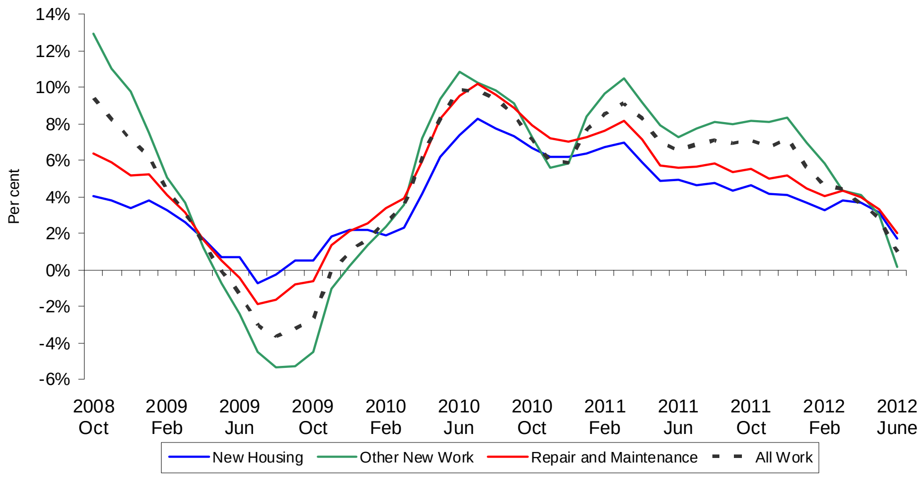



*Source: Table 1 Monthly Statistics of Building Materials and Components*

The headline 'All Work' Construction Material Price index fell by 1.0% on the month in June, after seeing no change on the month in May.

Annual inflation continued the downward trend seen since the start of the year, falling to 1.0% in June, its lowest level since December 2009, from 2.9% in May.

**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 fell across all construction sub-sectors in June.

The 'Other New Work' sector saw the largest fall in annual inflation in June (to 0.1%, from 3.0% in May). Over the same period, annual inflation in the 'New Housing' and 'Repair and Maintenance' sectors fell to 1.7% (from 3.1%) and 2.0% (from 3.3%), respectively.

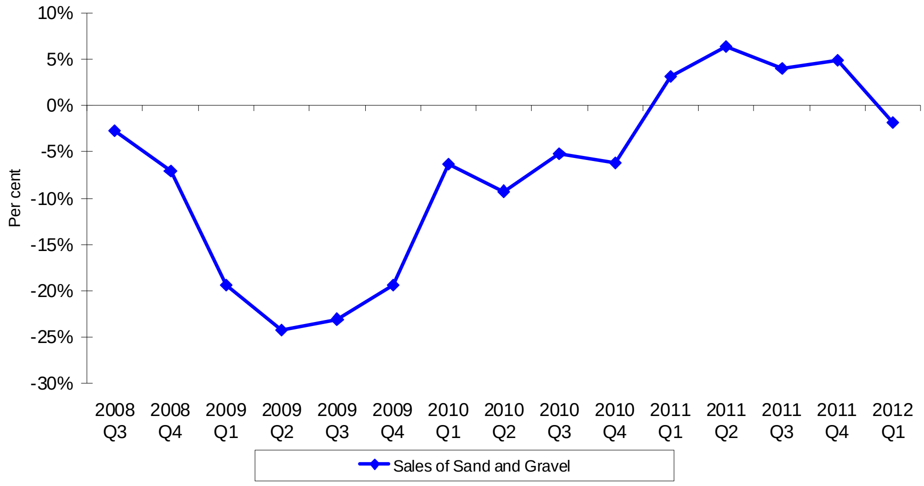
**Table 1: Construction materials experiencing the largest price increases and decreases in the year to June 2012, UK**

| Construction Materials | % change on a year earlier |
|---|---|
| Largest price increases | |
| Coated Roadstone (excluding levy) | 10.2 |
| Doors and Windows (metal) | 8.0 |
| Paint (non-aqueous) | 7.9 |
| Largest price decreases | |
| Fabricated structural steel | -5.6 |
| Concrete reinforcing bars | -3.5 |
| Imported sawn or planed wood | -1.0 |

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

Coated Roadstone excluding levy (up 10.2%), Metal Doors and Windows (up 8.0%) and Non-aqueous paint (up 7.9%) experienced the largest price increases in the year to June. Over the same period, Fabricated Structural Steel (down 5.6%), Concrete Reinforcing Bars (down 3.5%) and Imported Sawn or Planed Wood (down 1.0%) experienced the largest price falls.

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

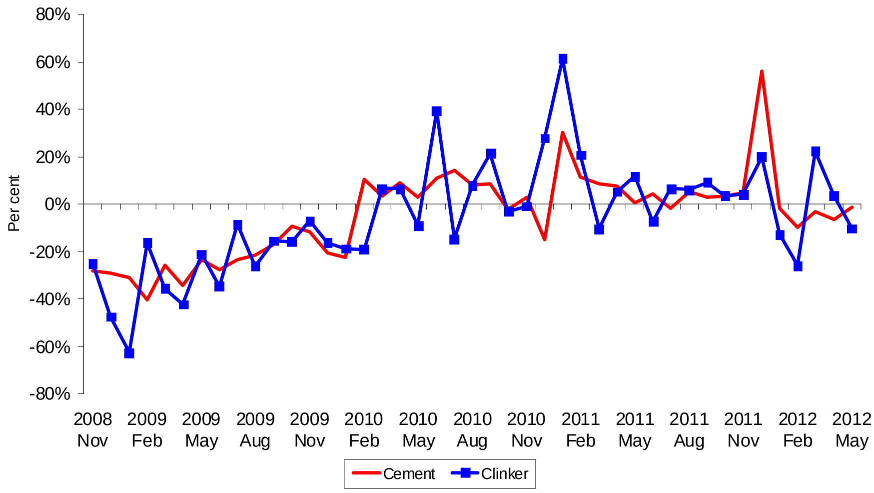



*Source: Table 4 Monthly Statistics of Building Materials and Components*

Sales of Sand and Gravel in Great Britain increased by 3.7% on the quarter in 2012Q1, to 13.9 million tonnes. This follows quarterly declines of 8.8% in 2011Q4 and 1.0% in 2011Q3.

However, compared to the same quarter last year, sales fell by 1.8% in 2012Q1, which is the first decline on this basis since 2010Q4.

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

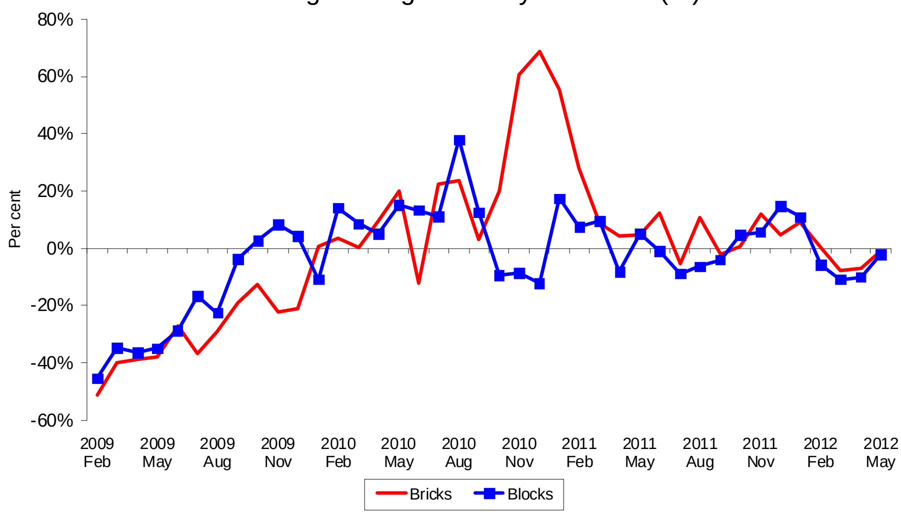



*Source: Table 8 Monthly Statistics of Building Materials and Components*

Cement production fell by 1.5% to 726 thousand tonnes in the year to May 2012. This is the fifth 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 in the year to May by 10.3%, following two successive year-on-year increases in April and March.

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

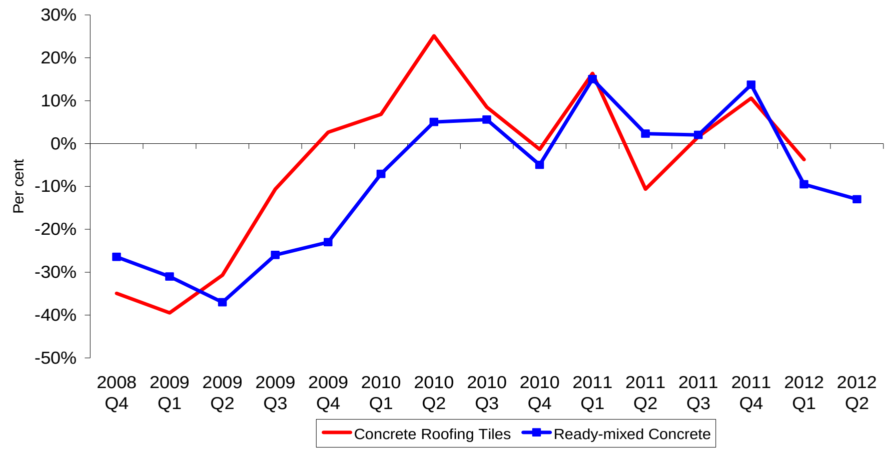



*Source: Tables 9 and 11 Monthly Statistics of Building Materials and Components*

In the year to June 2012, production of Bricks fell by 6.6%, the fourth successive decline on this basis; March (-7.6%), April (-7.0%) and May (-1.0%).

Production of Blocks also fell in the year to May, by 22.5%, the greatest year-on-year fall since August 2009 when a decline of the same magnitude was seen.

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

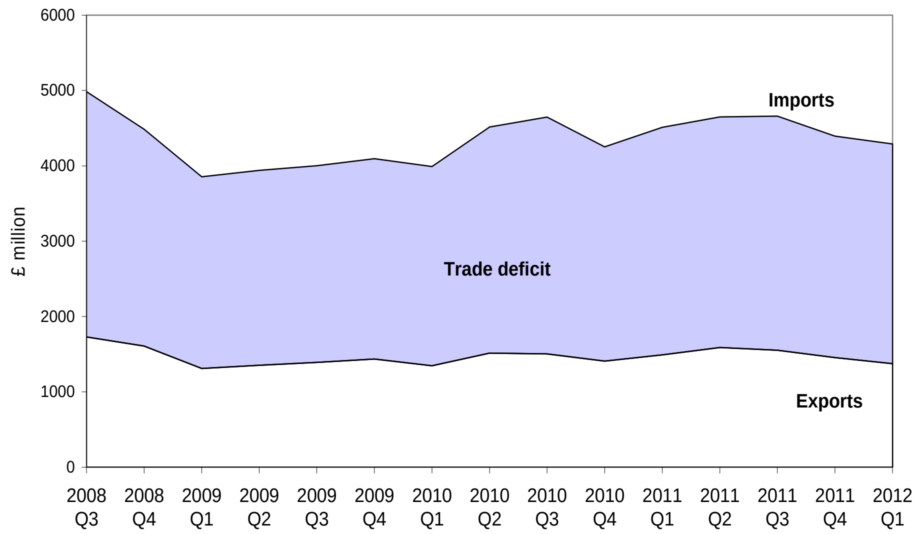



*Source: Table 13 Monthly Statistics of Building Materials and Components*

Deliveries of Concrete Roofing Tiles fell by 3.7% year-on-year in 2012Q1, after increasing on this basis in the second half of 2011.

Deliveries of Ready-mixed Concrete fell by 13.0% in the year to 2012Q2, after a fall of 9.5% in the previous quarter.

**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 5.5% on the quarter in 2012Q1 (to £1,374 million). Imports also fell but by less than exports (down 0.9% to £2,915 million). As a result, the trade deficit widened by £54 million, to £1,542 million, in 2012Q1.

The increase in the trade deficit in 2012Q1 was due to a widening in the trade deficit in ‘products and components’ by £15 million, ‘semi-manufactures’ by £32 million and ‘raw materials’ by £8 million.

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

*£ million*

| Top-5 Exported Materials | | Top-5 Imported Materials | |
|---|---|---|---|
| Paints & Varnishes | 623 | Electrical Wires | 1,347 |
| Electrical Wires | 572 | Structural Units (Steel) | 647 |
| Structural Units (Steel) | 472 | 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 | 3,784 | 2,299 |
| | *62%* | *38%* |
| Imports | 7,730 | 4,402 |
| | *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 | 825 | Germany | 1,858 |
| Germany | 632 | China | 1,661 |
| France | 558 | Italy | 892 |
| Netherlands | 464 | Netherlands | 701 |
| USA | 373 | Spain | 601 |

*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 July, showed that the UK recession deepened, with the economy contracting by 0.7% in 2012Q2 compared to the previous quarter. This follows falls in GDP of 0.3% in 2012Q1 and 0.4% in 2011Q4. The ONS noted that the the change in the timing of the bank holidays in May and June due to the Diamond Jubilee celebrations, as well as the poor weather last quarter, added greater uncertainty than usual to the 2012Q2 estimate and "*therefore increase the chance that the GDP estimate will be revised*". Back in May, the Bank of England predicted that the additional bank holiday associated with the Diamond Jubilee was likely to reduce quarterly GDP growth by around 0.5 percentage points in 2012Q2.

The breakdown of the GDP data indicated that the decline in GDP in 2012Q2 was largely driven by the construction sector. Following a fall of 4.9% in 2012Q1, construction output is estimated to have contracted by 5.2% in 2012Q2. While the share of construction output in the whole economy is only around 7%, this has dragged down total GDP growth by 0.4ppts in both of the last two quarters. Total production was also a key driver, accounting for 0.2ppts of the 0.7% decline. Compared to 2012Q1, total industrial production contracted by 1.3% in 2012Q2, driven by a 1.4% drop in manufacturing output.

Going forward, the Bank of England expects increased activity associated with the Olympic Games to boost total GDP growth by a little more than 0.5 percentage points in 2012Q3, offsetting somewhat the negative impact of the Diamond Jubilee holiday. In the final quarter of the year, output is expected to return to its underlying level, implying that growth will be slightly weaker than in 2012Q3.

Turning to the sectoral outlook, last week, the Construction Products Association (CPA) updated their forecasts for the construction sector, now expecting a contraction of 4.5% in 2012 where previously they had expected around a 3% contraction. The forecast for 2013 is for the sector to contract by 1.3% before rebounding to positive growth of 2.8% in 2014. Experian also revised down its growth forecasts for the construction industry this year, now expecting the sector to contract by 5.6% in 2012 and by 2.4% in 2013, with a return to growth of 0.8% in 2014. These estimates represent substantial downward revisions from their previous forecasts of -4.4% (2012) and +1.3% (2013). Both forecasters cite deep public sector cuts and a slowdown in private sector activity as their reasons for downgrading their forecasts.

Forecasts for the manufacturing sector have also been revised down substantially recently. According to the latest Consensus Forecasts, manufacturing output is expected to decline by 0.7% this year, rather than by 0.1% estimated last month. Growth in the sector is forecast to return in 2013 (1.7%) but it will be slower than previously thought (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 preliminary findings. 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 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 July 2012 edition** | **Bulletin table number** | **Response rate** |
|---|---|---|
| Quarterly Sand and Gravel | 4, 5 & 6 | 91% |
| Quarterly Sand and Gravel – Land Won | 4, 5 & 6 | 55% |
| Quarterly Sand and Gravel – Marine Dredged | 4, 5 & 6 | 100% |
| Quarterly Slate | 7 | 92% |
| Monthly Bricks Provisional data | 9 | 94% |
| Monthly 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 | 86% |

## 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 12.4% in the year to May 2012. This was the fifth 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 7.2%, up from 2.5% in 2010.

In the year to May 2012, output in the SIC 23.5-66 industry fell sharply by 12.1%, following sharp falls of 18.6% and 19.9% in the year to March and April, respectively. In 2011 as a whole, the sector suffered a 6.2% 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 6.3% in the year to May, following a faster rate of decline in the year to April (-8.6%). The fall in the year to May was driven by declines in public construction output and infrastructure. In 2011 as a whole growth in construction output was 2.6%, easing 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.

**Next publication:** 5 September 2012

**Statistical Contact:** James Liley
Tel: +44 (0)207 215 6221
Email: MaterialStats@bis.gsi.gov.uk

**Website:** BIS Building Materials Construction Statistics,
http://www.bis.gov.uk/analysis/statistics/construction-statistics/building-materials

Department of Business of Business, Innovation & Skills.
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First published August 2012.



URN 12 / P125g