Monthly Statistics of Building Materials and Components

Commentary

December 2011

Coverage: UK and Great Britain
Geographical area: Country, region and county
Date of publication: 11 January 2012

Headline results:

- The 'All Work' Construction Material Price Index rose by 6.7% in the year to November, down slightly from 6.8% in the year to October.
- The construction materials experiencing the largest price increases in the year to November were Concrete Reinforcing Bars (up 16.2%), Metal Doors and Windows (up 11.6%) and Particle Board (up 11.5%).
- Production of concrete blocks rose by 4.7% in the year to November, following a 3.0% increase in the year to October.
- In 2011 Q3, exports of construction materials fell by 2.9% (to £1,537 million) compared to the previous quarter, while imports rose by 0.8% (to £3,070 million). As a result, the trade deficit in construction materials widened by £69 million, to £1,533 million, in 2011Q3.

Introduction

This commentary accompanies the latest Monthly Statistics of Building Materials and Components bulletin, published on the BIS Construction website on 11 January 2012,

http://www.bis.gov.uk/analysis/statistics/construction-statistics/building-materials.

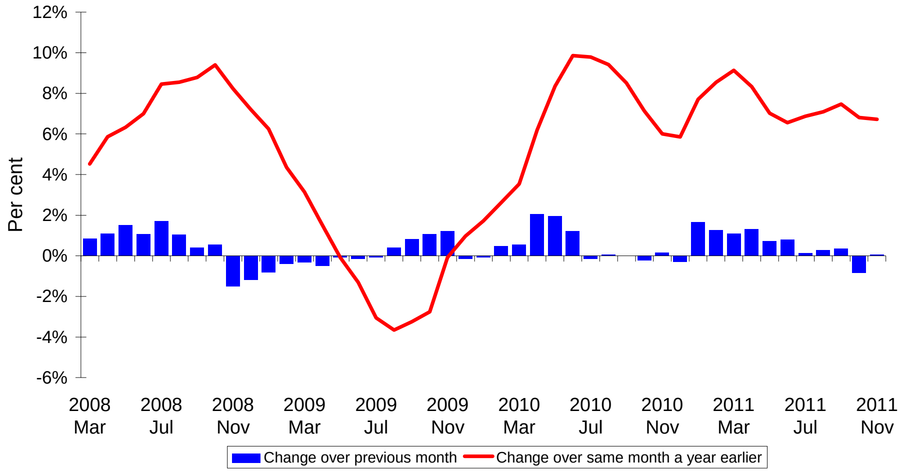
It aims to provide a brief overview of recent trends in the data presented in the bulletin. These data cover the following building materials statistics (in parentheses, the data collection frequency and the geographical area covered):

- 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

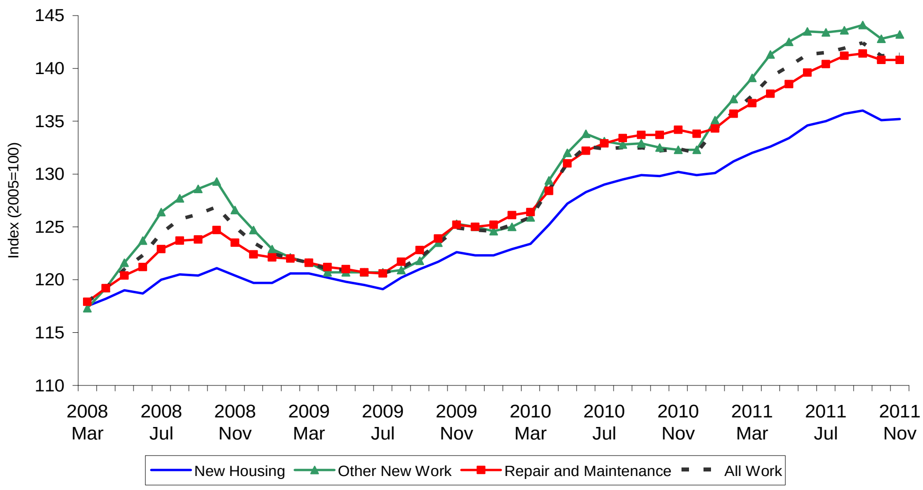
Chart 1: Growth in 'All Work' Construction Material Price Index, UK
Percentage change over previous month and a year earlier (%)



Source: Table 1 Monthly Statistics of Building Materials and

The headline 'All Work' Construction Material Price index rose by 0.1% on the month in November, after falling by 0.8% on the month in October. This was the 10th rise in the last 11 months. However, the annual inflation rate continued to ease in November, registering 6.7%, down from 6.8% in October and 7.5% in September.

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



Source: Table 1 Monthly Statistics of Building Materials and

The monthly rise in the headline "All Work" price was due to monthly increases in the 'New Housing' (up 0.1%) and 'Other New Work' (up 0.3%) sub-indices. By contrast, the 'Repair and Maintenance' sub-index was unchanged.

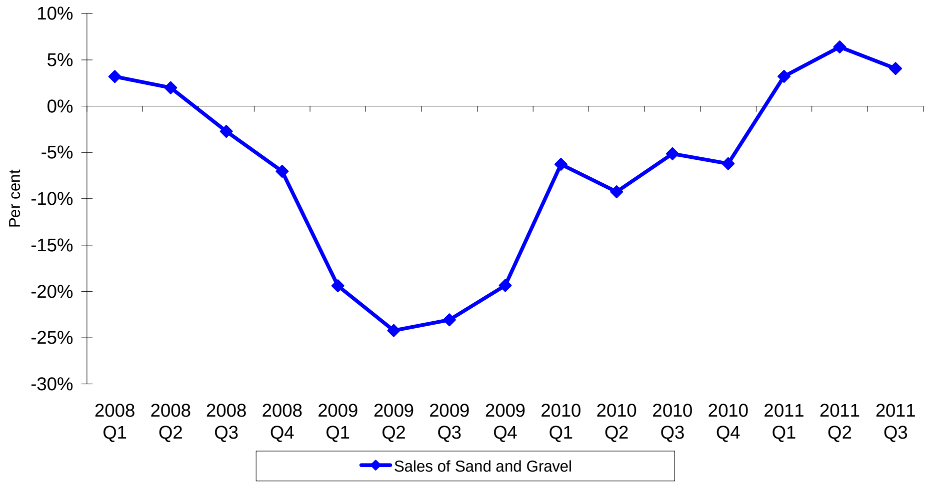
Table 1: Construction materials experiencing the largest price increases and decreases in the year to November 2011, UK

Construction Materials	% change on a year earlier
Largest price increases	
Concrete reinforcing bars	16.2
Doors & windows (metal)	11.6
Particle Board	11.5
Largest price decreases	
Imported sawn or planed wood	-3.9
Imported plywood	-1.6
Ceramic tiles	-0.9

Source: Table 2 Monthly Statistics of Building Materials and Components

Concrete Reinforcing Bars (up 16.2%), Metal Doors and Windows (up 11.6%) and Particle Board (up 11.5%) experienced the largest price increases in the year to November. Over the same period, the materials that saw the largest price falls were Imported Sawn or Planed Wood (down 3.9%), Imported Plywood (down 1.6%) and Ceramic Tiles (down 0.9%).

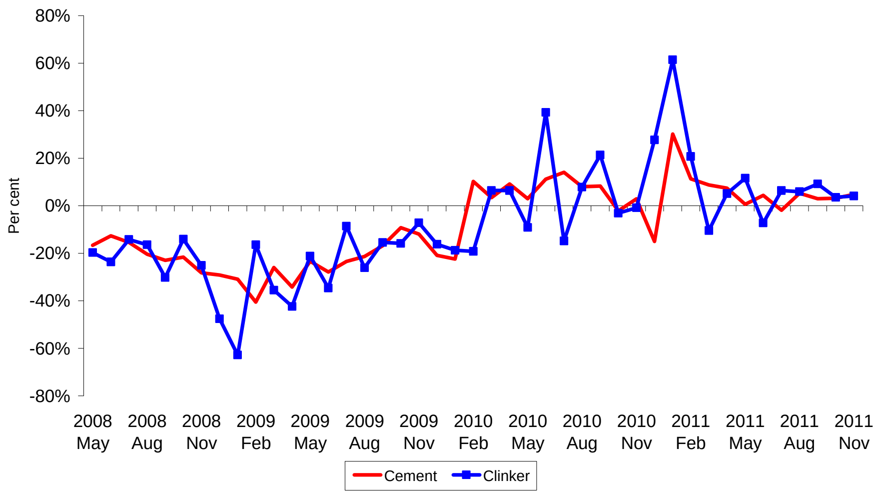
Chart 3: Sales of Sand and Gravel, GB
Percentage change over a year earlier (%)



Source: Table 4 Monthly Statistics of Building Materials and Components

Sales of Sand and Gravel in Great Britain decreased by 1.0%, to 14.7 million tonnes, on the quarter in 2011Q3, following solid increases in the previous two quarters. However, compared to the same quarter last year, sales rose (up 4.1%), as was the case in the previous two quarters in 2011.

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

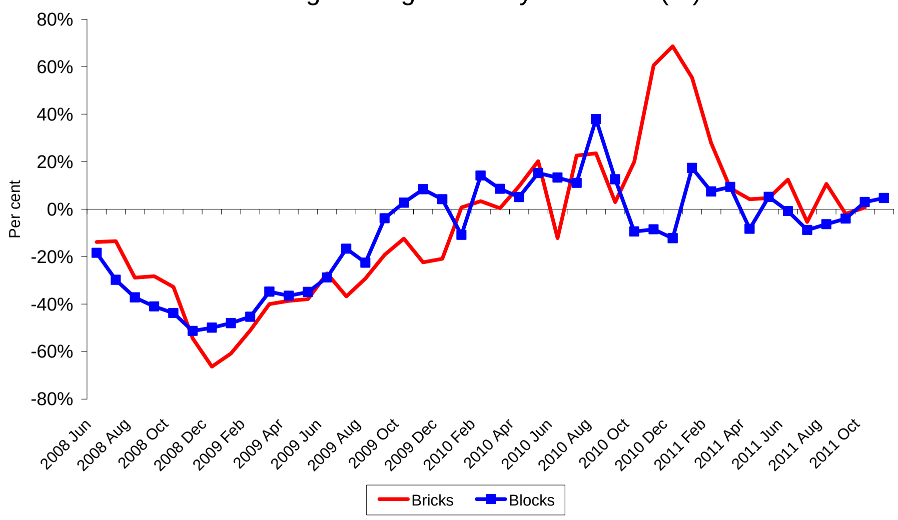


Source: Table 8 Monthly Statistics of Building Materials and Components

Cement production rose by 4.8%, to 720 thousand tonnes, in the year to November 2011. This was the fourth successive month of positive year-on-year growth.

Meanwhile, production of Clinker rose for the fifth successive month on this basis in November - up 4.2%, to 615 thousand tonnes.

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

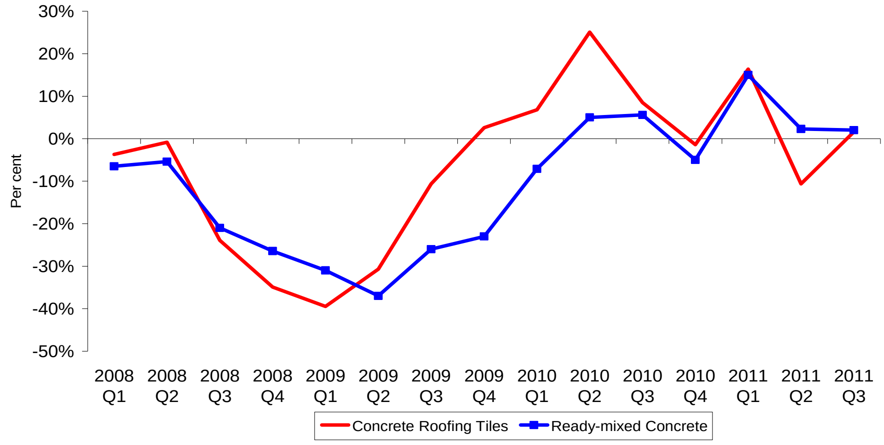


Source: Tables 9 and 11 Monthly Statistics of Building Materials and Components

Bricks data have been revised between January 2009 and February 2011 inclusively (see ‘Revisions’ note on page 9). Production of Bricks increased by 0.7% compared to a year ago, to around 144 million bricks.

Blocks production in Great Britain also rose on a year-on-year basis in November by 4.7%, faster than in October (up 3.0%), and reversing the downward trend seen between June and September.

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

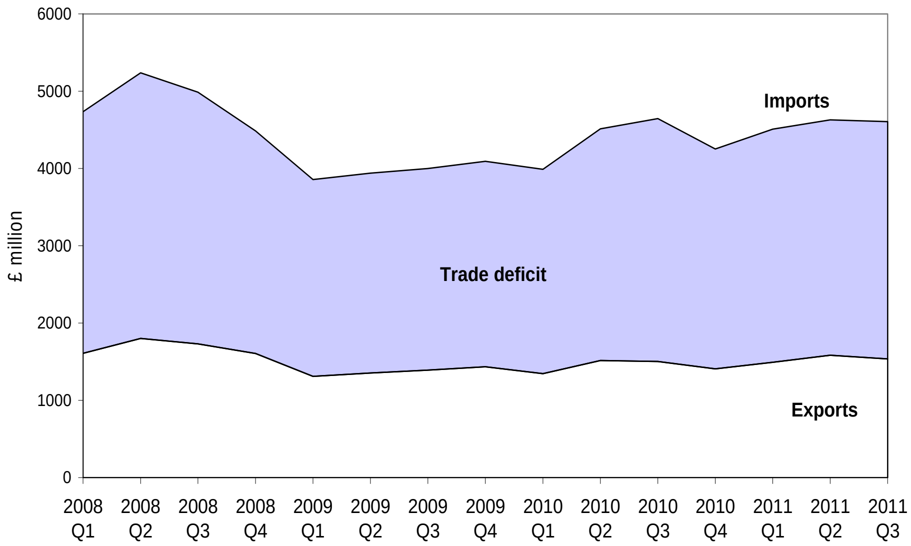


Source: Table 13 Monthly Statistics of Building Materials and

Deliveries of Concrete Roofing Tiles recovered from a year-on-year fall of 10.7% in 2011Q2, rising by 1.6% on this basis in 2011Q3.

Deliveries of Ready-mixed Concrete maintained their upward momentum in 2011Q3, rising year-on-year by 2.0%.

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 2.9% on the quarter in 2011Q3 (to £1,537 million) while imports rose by 0.8% (to £3,070 million). As a result, the trade deficit widened by £69 million, to £1,533 million, in 2011Q3.

The increase in the trade deficit in 2011Q3 was due to a widening in the trade deficit in 'products and components' of £112 million. Over the same period, the trade deficit in 'semi-manufactures' and 'raw materials' narrowed by £29 million and £14 million, respectively.

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

£ million

Top-5 Exported Materials		Top-5 Imported Materials	
Paints & Varnishes	*155.4*	Electrical Wires	*317.9*
Electrical Wires	*146.5*	Structural Units (steel)	*166.7*
Structural Units (steel)	*119.7*	Sawn Wood > 6mm thick	*153.3*
Lamps & Fittings	*67.5*	Air Conditioning Equipm	*150.4*
Air Conditioning Equipm	*65.5*	Central Heating Boilers	*146.5*

Source: Table 14 Monthly Statistics of Building Materials and Components

The top five imported construction materials in 2011Q3 were Electrical Wires, Structural Units (Steel), Sawn Wood (more than 6mm thick), Air Conditioning Equipment, and Central Heating Boilers.

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

Table 3: UK Trade of Construction Materials with EU and Non-EU Countries, 2010

£million (% of total trade in italics)

All Building Materials & Components	EU	Non-EU
Exports	3,630	2,142
	63%	*37%*
Imports	7,416	4,216
	64%	*36%*

Source: Table 15 Monthly Statistics of Building Materials and Components

In 2010, around 64% of all building material imports were from EU countries, while 63% of exports were to EU countries.

Table 4: Top 5 UK Export and Import Markets for Construction Materials in 2010

£ million

Top-5 Export Markets		Top-5 Import Markets	
Ireland	*875*	Germany	*1790*
Germany	*558*	China	*1671*
France	*491*	Italy	*891*
Netherlands	*451*	Netherlands	*688*
USA	*344*	Sweden	*543*

Source: Department for Business, Innovation and Skills analysis of 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 Sweden.

Economic background

The latest GDP figures, released by the Office of National Statistics (ONS) on 22nd December, continue to be consistent with a fragile economic recovery. Although the economy expanded by 0.6% on the quarter in 2011Q3, this followed a period of four quarters during which GDP barely grew. In addition, growth in the third quarter was concentrated largely in the services sector (up 0.7%). Both the manufacturing and construction sectors experienced weak growth over the same period, of 0.1% and 0.3%, respectively, failing to make a substantial positive contribution to overall GDP growth. Analysts have attributed the slowdown in manufacturing and construction activity in 2011Q3 to a variety of factors, including the Eurozone debt crisis and sluggish demand at home due to the ongoing fiscal consolidation, elevated inflation and weak consumer and business confidence.

Within manufacturing, output in the SIC 23.1-4/7-9 industry, which includes the manufacture of bricks, tiles and other construction products, has risen on a year-on-year basis in every month this year. The latest data from the ONS show output growth of 8.0% in the year to October. A different picture emerges in the SIC 23.5-66 industry which includes the manufacture of concrete, cement and other products for construction purposes. In October, this sector saw its output contracting for the eighth successive month (down 5.7%) on a year-on-year basis, following positive growth in most of 2010. It should be noted that these figures 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 trends in the production of related construction materials as measured by the ONS.

In the construction sector, the breakdown of the official data shows that the weakness in growth in the third quarter was primarily driven by falls in public construction work, a likely reflection of the impact of the fiscal consolidation, with negative contributions also coming from the ‘private new housing’ and ‘private industrial’ sectors.

Looking at future prospects, the Office for Budget Responsibility has predicted GDP growth of 0.9% in 2011, decelerating to 0.7% in 2012, in line with the mean private sector forecast (Consensus Economics).

The manufacturing and construction sectors will not be immune to the slowdown. According to Consensus Economics, manufacturing growth will slow sharply to 0.9% this year, from 2.5% in 2011, reflecting weakening global demand for UK manufactured goods. Prospects for the construction contracting sector are gloomier, with the latest forecasts from both the Construction Products Association (CPA) and Experian indicating that the sector will contract sharply this year, as consumer and investor confidence is hit by the combined impact of the public capital expenditure cuts and the worsening global economic environment. According to CPA, the construction sector will shrink by 5.2% this year. While it is expected to return to growth in 2013, activity will be weak, with growth registering just 0.4%. Experian expect a deeper contraction in output (-5.6%) this year but a stronger recovery (1.1%) in 2013 than forecast by CPA. And although output is predicted to grow relatively strongly (4.7%) in 2014, it will remain over 7% below its 2007 peak, according to Experian.

Background notes

Quality information for the Building Materials bulletin

1. Following an assessment carried out in the second half of 2011, the UK Statistics Authority (UKSA) confirmed in December 2011 that the statistics published in *Building Materials and Components* can be designated as National Statistics. The UKSA judged that the statistics "*…are readily accessible, produced according to sound methods and managed impartially and objectively in the public interest, subject to any points for action in this report*". The full report, published on 22nd December 2011, can be found on the UKSA 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 December 2011 edition	Bulletin table number	Response rate
Quarterly Sand and Gravel	4, 5 & 6	90%
Quarterly Sand and Gravel – Land Won	4, 5 & 6	52%
Quarterly Sand and Gravel – Marine Dredged	4, 5 & 6	100%
Quarterly Slate	7	69%
Monthly Bricks	9 & 10	92%
Monthly Concrete Blocks	11	54%
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. ONS Index of Production: a) SIC 23.1-4/7-9 – this industry includes the manufacture of bricks, tiles and construction products, b) SIC 23.5-6 covering the manufacture of concrete, cement and other products for construction purposes. For a brief discussion of the latest results, see the Economics Background section.

Revisions

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

10. Following the receipt of more accurate data on Brick Production, Deliveries and Stocks from sites already sampled and additional historical data from new sites which were added to the sample panel from February 2011, data covering January 2009 to February 2011 have been revised. A pre-announcement of the change was posted on the BIS website from 22 November 2011. These revisions affect tables 9 and 10 of the Monthly Statistics of Building Materials and Components bulletin and subsequent bricks data discussed in this commentary document.

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 - 2011 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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