

Quarterly Price and Cost Indices

Commentary

2Q2012

Coverage: UK, Great Britain and England and Wales

Geographical area: Country and region

Date of publication: 17 September 2012

Headline results

- The BIS *Output Price Index for New Construction (2010): All New Construction* (COPI) for 2nd Quarter 2012 rose 0.5% on the previous quarter and by 3.0% on the same quarter a year earlier.
- Tender Price Indices for public sector buildings show no change on the quarter, while prices for social housing rose 1.1% over the same period.
- Over the year, tender prices for public sector building remained unchanged while prices for social housing rose 3.2%.
- Resource costs for infrastructure construction continue to rise faster than for buildings year on year, with the main driver being materials prices.

Introduction

This commentary accompanies the latest [Quarterly Price and Cost Indices](#), published on the BIS Construction website on 17 September 2012.

It aims to provide a brief overview of recent trends in the data presented on the website. These data cover the following price and cost indices (in parentheses the publication frequency and geographical coverage).

Output Price Indices (OPIs)

All Work (2010): All New Construction and Repair and Maintenance Work (Quarterly, GB)
New Construction (2010): All New Construction (Quarterly, GB)
New Construction (2010): Infrastructure (Quarterly, GB)
New Construction (2010): Private Commercial (Quarterly, GB)
New Construction (2010): Private Housing (Quarterly, GB)
New Construction (2010): Private Industrial (Quarterly, GB)
New Construction (2010): Public Housing (Quarterly, GB)
New Construction (2010): Public Non-Housing (Quarterly, GB)
Repair and Maintenance (2010): All Repair and Maintenance (Quarterly, GB)
Repair and Maintenance (2010): Infrastructure (Quarterly, GB)
Repair and Maintenance (2010): Private Housing (Quarterly, GB)
Repair and Maintenance (2010): Private Non-Housing (Quarterly, GB)
Repair and Maintenance (2010): Public Housing (Quarterly, GB)
Repair and Maintenance (2010): Public Non-Housing (Quarterly, GB)
Direct Labour (2010): Public Housing New Construction (Quarterly, GB)
Direct Labour (2010): Public Housing Repair and Maintenance (Quarterly, GB)
Direct Labour (2010): Public Non-Housing New Construction (Quarterly, GB)
Direct Labour (2010): Public Non-Housing Repair and Maintenance (Quarterly, GB)

Tender Price Indices (TPIs)

All Construction TPI: All Construction (Quarterly, UK)
All Construction TPI: All New Construction (Quarterly, UK)
All Construction TPI: All Repairs and Maintenance, (Quarterly, UK)
BIS Tender Price Index of Public Sector Building Non-Housing PUBSEC¹ (Quarterly, UK)
Tender Price Index of Road Construction, BIS ROADCON² (Quarterly, UK)
Tender Price Index of Social Housebuilding (TPISH)³: New Build (Quarterly, England and Wales)⁴
Tender Price Index of Social Housebuilding: (TPISH) Derived Rehab (Quarterly, England and Wales)

¹ Regional location factors and Function factors are also available.

² Regional Road type and Value factors are also available.

³ Regional location factors are also available.

⁴ Figures for Scotland are prepared by the Scottish Government.

Resource Cost Indices (RCIs)

ALLCOS Index of All Construction (Quarterly, UK)

- All New Work
- All Repair and Maintenance
- All Work
- All Work: Labour and plant
- All Work: Materials

NOCOS Index for Building Non-Housing

- Combined
- Mechanical
- Electrical
- Building
- Labour and Plant
- Materials

HOCOS Index for House Building (Quarterly, UK)

- Combined
- Mechanical
- Electrical
- Building
- Labour and Plant
- Materials

ROCOS Index for Road Construction (Quarterly, UK)

- Combined
- Labour and Plant
- Materials

FOCOS Index for Infrastructure (Quarterly, UK)

- Combined
- Labour and Plant
- Materials

NOMACOS Index for Maintenance of Building Non-Housing (Quarterly, UK)

- Combined
- Mechanical
- Electrical
- Building
- Labour and Plant
- Materials

HOMACOS Index for Maintenance of House Building (Quarterly, UK)

- Combined
- Mechanical
- Electrical
- Building
- Labour and Plant
- Materials

Commentary

BIS Construction Output Price Indices 2Q2012

The BIS *Output Price Index for New Construction (2010): All New Construction* (COPI) for 2nd Quarter 2012 rose 0.5% on the previous quarter and by 3.0% on the same quarter a year earlier.

The quarter on quarter change resulted from rises in output prices in all sectors except Public Housing and Private Industrial, where prices fell 0.5% and 1.0% respectively (see table 1). The composition of the index was influenced by quarter on quarter changes in the proportions of volume of output. The proportion of Private Housing and Private Commercial work rose, while the proportion of Public Non-housing work fell. The proportion of the other sectors remained unchanged (see table 2).

The 2nd Quarter 2012 on 2nd Quarter 2011 rise of 3.0% resulted from increases in output prices in all sectors except for Public Housing where prices fell by 0.7%. Price increases were particularly strong in the Infrastructure and Private Industrial sectors (see table 1). The mix of the sectors in the index over the year was influenced by a rise in the proportion of output from the Private Housing and Private Commercial sectors and a fall in the proportion of Infrastructure and Public Non-housing work. The proportion of the Public Housing and Private Industrial sectors remained unchanged.

Table 1: BIS New Construction Output Price Indices 2Q2012 percentage change:

Sector	On Year	On Quarter
Public housing	-0.7%	-0.5%
Private housing	2.8%	0.2%
Infrastructure	5.5%	0.9%
Public other	2.9%	0.4%
Private industrial	4.2%	-1.0%
Private commercial	3.4%	1.4%
All new construction	3.0%	0.5%

Table 2: ONS New Construction Output proportion by sector (based on non seasonally adjusted volume figures)

Quarter		Public Housing	Private Housing	Infrastructure	Public Non Housing	Private Industrial	Private Commercial	All New Work
2011	Q1(R)	7%	19%	18%	19%	5%	32%	100%
	Q2(R)	6%	20%	19%	17%	5%	33%	100%
	Q3(R)	6%	20%	18%	17%	4%	35%	100%
	Q4(R)	6%	20%	18%	16%	4%	36%	100%
2012	Q1(R)	6%	21%	17%	16%	5%	34%	100%
	Q2	6%	22%	17%	15%	5%	35%	100%

The movement of the Output Price Indices generally reflects the movement in tender prices in previous periods.

Notes

Details of [Construction output volumes](#) are available from ONS.

Details of the [Sector output price indices](#) are available on the BIS website and on subscription from BCIS <http://www.bcis.co.uk/online>

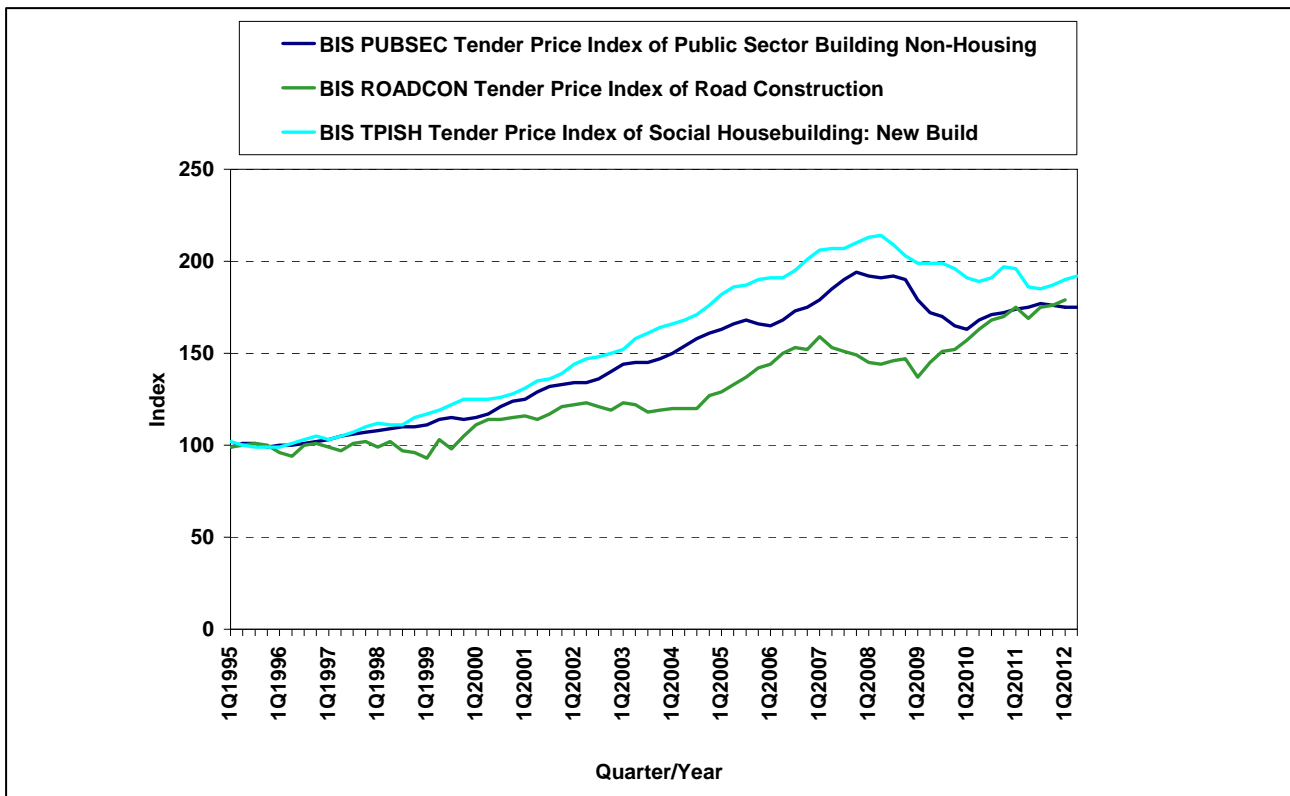
BIS Construction Public Sector Tender Price Indices 2Q2012

The *BIS Tender Price Index for Public Sector Non-Housing (PUBSEC)* shows no change in the 2nd Quarter 2012 compared to the previous quarter, but has previously shown quarter-on-quarter falls since 3rd Quarter 2011.

The *BIS Tender Price Index of Social Housing (TPISH)* shows a rise of 1.1% compared with the previous quarter and a rise of 3.2% compared with the same quarter a year earlier, although it should be noted that 2nd Quarter 2011 and 2nd Quarter 2012 were both based on a small sample.

The *BIS Tender Price Index of Road Construction (ROADCON)* is not available for 2nd Quarter 2012 due to the sample size being less than 4. The *BIS Tender Price Index of Road Construction* for the 1st Quarter 2012 shows prices rising 1.7% compared to the previous quarter and 2.3% in the year.

Chart 1 - PUBSEC, ROADCON and TPISH

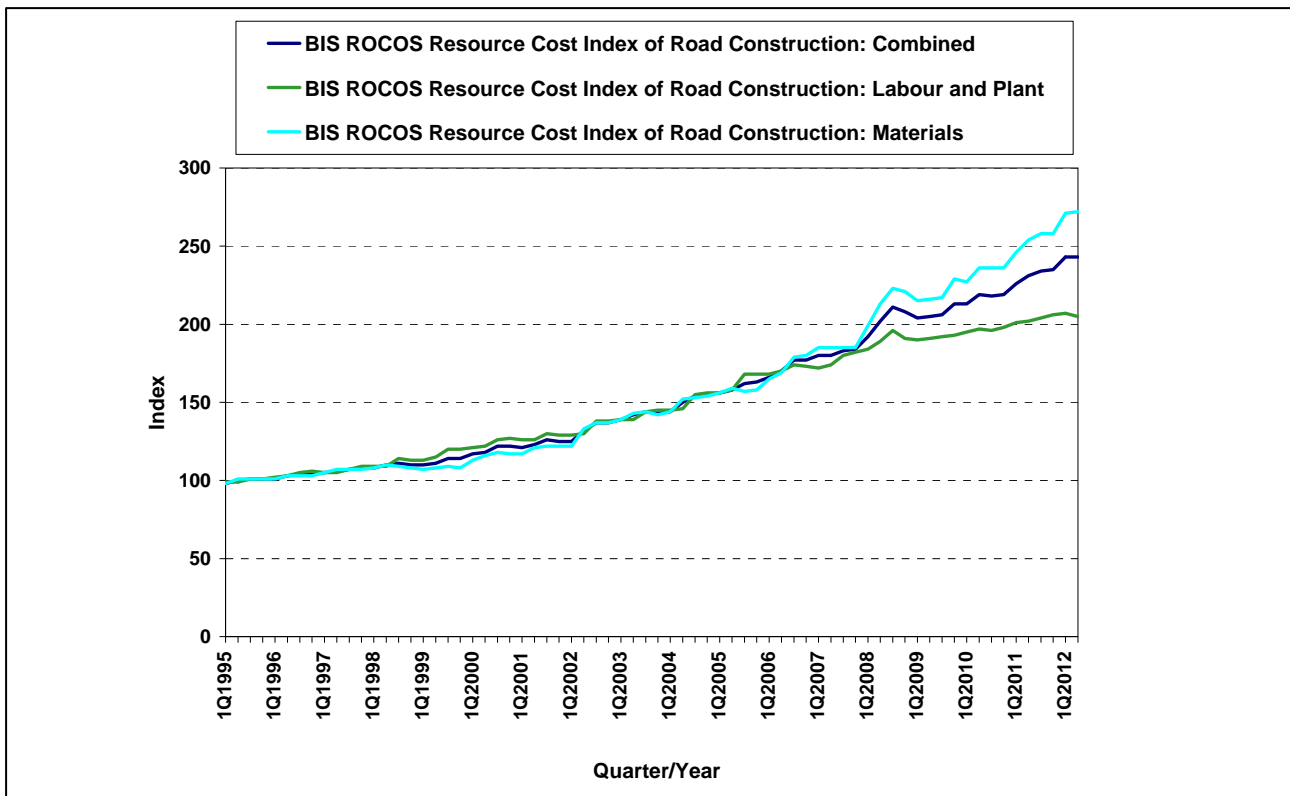


BIS Construction Output Resource Cost Indices 2Q2012

Resource costs in the infrastructure sector continue to rise faster than those in the building sector when comparing year on year percentage change. *BIS Resource Cost Index of Road Construction (ROCOS)* rose 5.2% in the year to 2nd Quarter 2012 but remained unchanged from the previous quarter, while *BIS Resource Cost Index of Building Non-Housing (NOCOS)* rose 1.1% on the year and remained unchanged on the quarter.

The main driver for the increase in the cost indices is materials, and more specifically oil based products which have had a greater impact on the Infrastructure sector compared with building sectors. For example the materials element in ROCOS rose 7.1% on the year and 0.4% on the quarter, while labour and plant costs rose 1.5% on the year and fell 1.0% on the quarter.

Chart 2 – Roads costs – Labour and Plant and Materials



Economic Background

BIS produce a monthly note on the economic background for construction, published with its [Monthly Statistics of Buildings Materials and Components](#)

Notes

Uses of Data

There are three types of indices which have different purposes and uses:

Tender Price Indices: Measure project construction prices to clients agreed at 'commit to construct'. The TPIs are produced primarily for use in estimating, cost-checking and fee negotiation on public sector construction works. They are used by the Office for National Statistics (ONS) to deflate construction new orders from current to constant prices and in the calculation of the OPIs.

Output Price Indices: Measure project construction prices paid by clients at the point that the work is carried out. The OPIs are produced primarily to deflate construction output from current to constant prices and are generally derived from TPIs modelled to sector output in previous quarters.

Resource Cost Indices: Measure the notional trend of input costs to a contractor in terms of increases in the cost of labour, materials and plant by application of the BCIS Price Adjustment Formulae Indices (PAFI) for Building (Series 3), Specialist Engineering (Series 3) and Civil Engineering (1990 Series) to cost models. The PAFI are based on ONS Producer Price Indices (PPIs). The RCIs are used for budgeting, estimating, tendering or paying for construction work.

Quality Information

For the Tender Price and Output Price Indices that are based on project indices, sample sizes are stated for each index.

For OPIs that are based on modelled TPIs, the inputs come from the RCIs and TPIs.

The RCIs are based on PPIs and published wage awards. Details of the PPIs are available on the [ONS website](#)

Related Statistics

ONS publish [Producer Price Index \(PPI\)](#) statistics, based on a monthly survey that measures the price changes of goods bought and sold by UK manufacturers and provides a key measure of inflation. This Statistical Bulletin contains a comprehensive selection of data on input and output index series. It contains PPIs for materials and fuels purchased, and output of manufacturing industry by broad sector and includes many construction materials.

ONS publish [Construction Output statistics](#), a monthly series of the output of the construction industry in both the private and public sectors, and for both new work and repair and maintenance.

ONS publish [Construction New Orders](#) data. This information relates to contracts for new construction work awarded to main contractors by clients in both the public and private sectors. Also included is speculative work, undertaken on the initiative of the firm, where no contract or order is awarded. The value of this work is recorded in the period when foundation works are started.

Revisions Policy

The [revision policy](#) for these indices can be found on the BIS Building Price and Cost Indices webpage.

Further Information

As part of this programme of work BIS and BCIS have published methodology notes for each set of BIS Construction and Price Indices:

- [Tender Price Indices \(PDF, 276 Kb\)](#) including the Tender Price Index of Public Sector Building Non-Housing (PUBSEC), Road Construction

(ROADCON), Social Housebuilding (TPISH), and the All Construction Tender Price Index (ALLCON)

- [Output Price Indices, \(PDF, 188 Kb\)](#) including the Output Price Indices for: New Construction, Repair and Maintenance, Direct Labour.
- [Resource Cost Indices \(PDF, 150 Kb\)](#) including the Resource Cost Index of: Building Non-Housing (NOCOS), House Building (HOCOS), Road Construction (ROCOS), Infrastructure (FOCOS), Maintenance of Building Non-Housing (NOMACOS), Maintenance of House Building (HOMACOS), and All Construction (ALLCOS).

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