Monthly Statistics of Building Materials and Components

Commentary

June 2012

Coverage: UK and Great Britain
Geographical area: Country, region and county
Date of publication: 4 July 2012

Headline results:

- The 'All Work' Construction Material Price Index annual inflation continued its recent downward trend, posting 2.9% in May, down from 3.6% in April.

- The construction materials experiencing the largest price increases in the year to May were Coated Roadstone excluding levy (up 11.9%), Metal Doors and Windows (up 9.5%) and Ceramic Sanitaryware (up 7.9%).

- Production of bricks and concrete blocks fell by 1.0% and 2.3%, respectively, in the year to May.

- 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 4 July 2012.

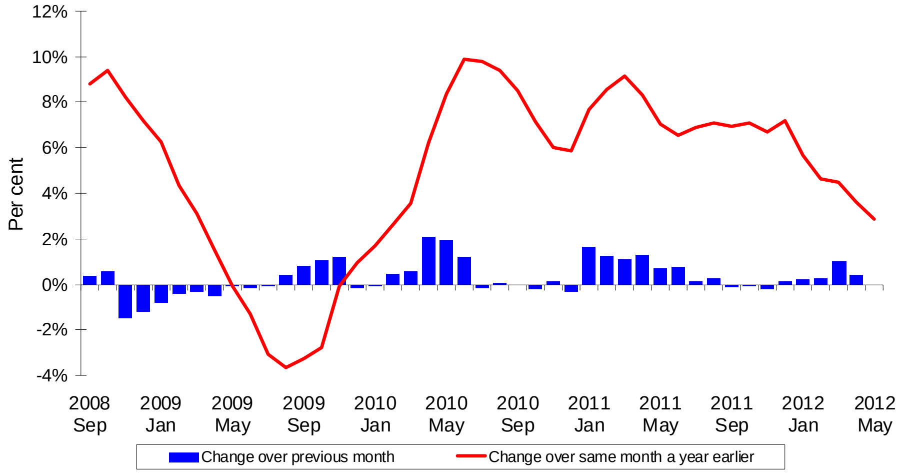
It aims to provide a brief overview of recent trends in the data presented in the bulletin. These data cover the following building materials statistics (in parentheses, the data collection frequency and the geographical area covered):

- 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 (%)

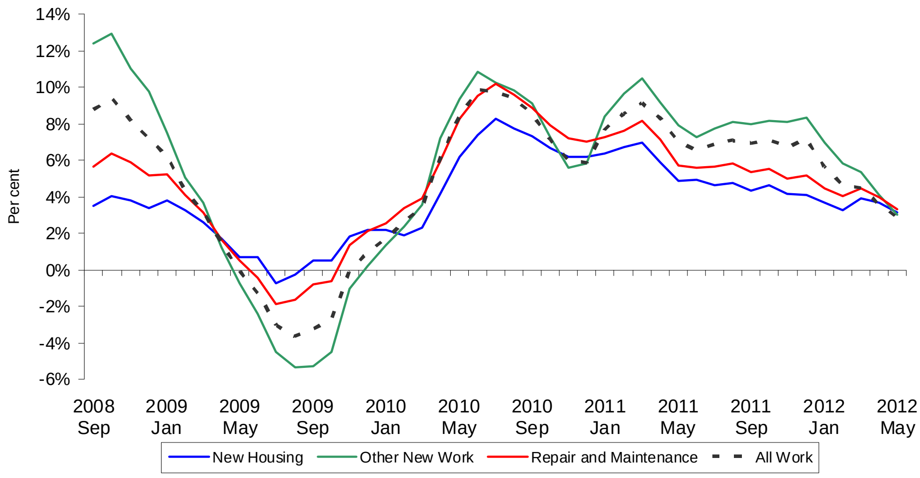


Source: Table 1 Monthly Statistics of Building Materials and Components

The headline ‘All Work’ Construction Material Price index for May remained unchanged from April, after rising by 0.4% on the month in April.

Annual inflation continued the downward trend seen since the start of the year, falling to a 26-month low of 2.9% in May, from 3.6% in April.

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 May.

The ‘Other New Work’ sector saw the largest fall in annual inflation in May (to 3.0%, from 4.1% in April). Over the same period, annual inflation in the ‘New Housing’ and ‘Repair and Maintenance’ sectors fell to 3.1% (from 3.7%) and 3.3% (from 4.0%), respectively.

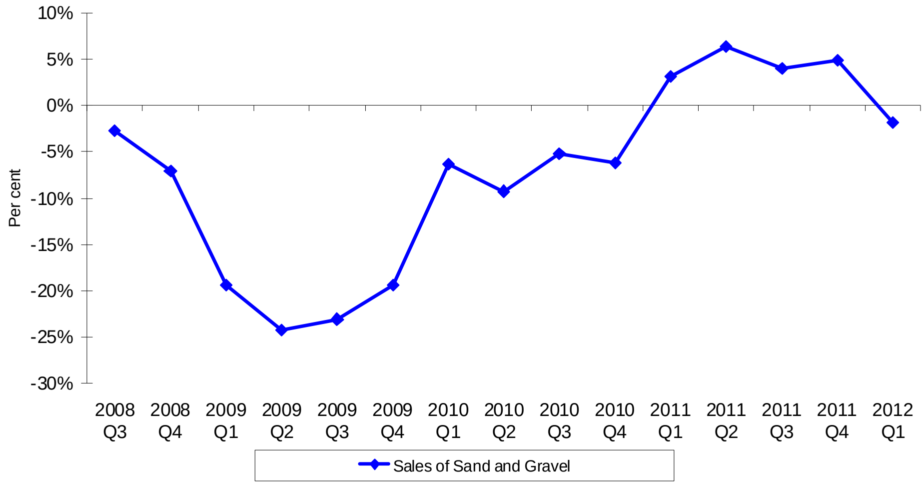
Table 1: Construction materials experiencing the largest price increases and decreases in the year to May 2012, UK

Construction Materials	% change on a year earlier
Largest price increases	
Coated Roadstone (excluding levy)	11.9
Doors and Windows (metal)	9.5
Ceramic Sanitaryware	7.9
Largest price decreases	
Fabricated structural steel	-5.9
Ceramic tiles	-1.1
Imported sawn or planed wood	-0.5

Source: Table 2 Monthly Statistics of Building Materials and Components

Coated Roadstone excluding levy (up 11.9%), Metal Doors and Windows (up 9.5%) and Ceramic Sanitaryware (up 7.9%) experienced the largest price increases in the year to May. Over the same period, Fabricated Structural Steel (down 5.9%), Ceramic Tiles (down 1.1%) and Imported Sawn or Planed Wood (down 0.5%) experienced the largest price falls.

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

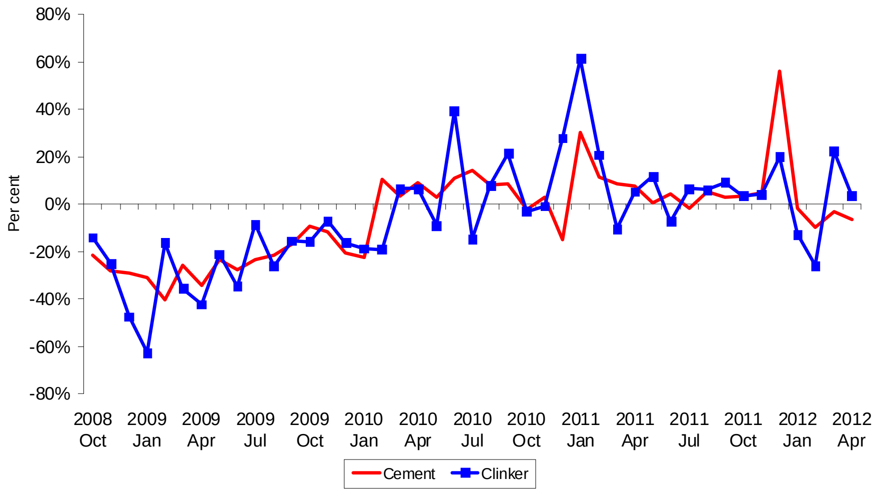


Source: Table 4 Monthly Statistics of Building Materials and Components

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 (%)

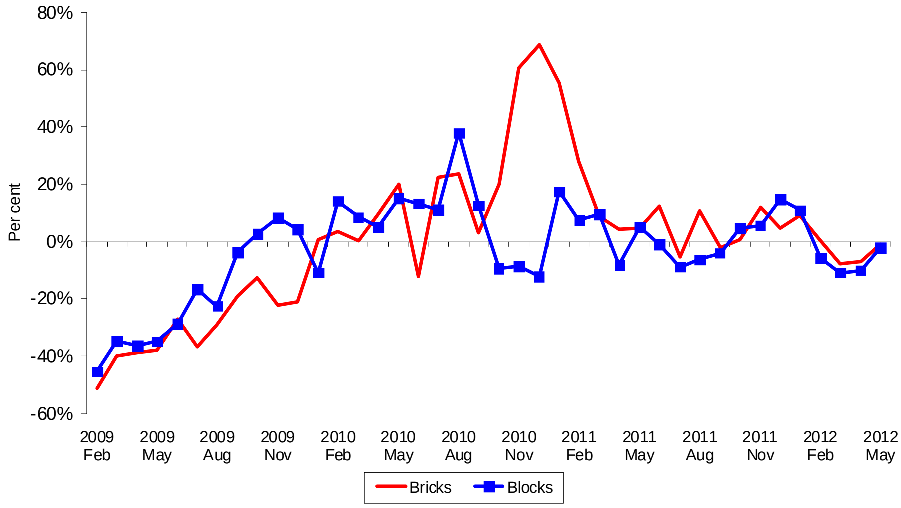


Source: Table 8 Monthly Statistics of Building Materials and Components

Cement production fell by 6.5% to 678 thousand tonnes in the year to April 2012. This is the fourth successive month in which production fell on a year-on-year basis and follows five successive months of positive year-on-year growth.

Conversely, production of Clinker rose by 3.5% year-on-year in April, building on an increase of 22.3% in March on the same basis.

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

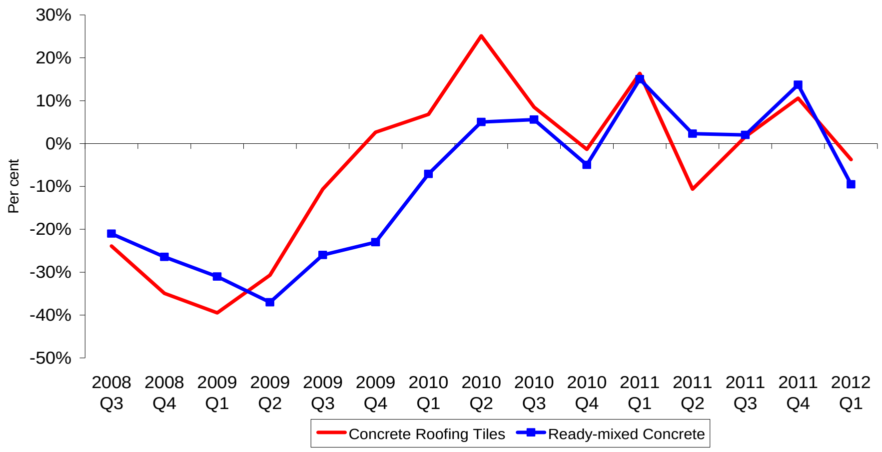


Source: Tables 9 and 11 Monthly Statistics of Building Materials and Components

In the year to May 2012, production of Bricks fell by 1.0%, a slower annual rate of decline than that recorded in March (-7.6%) and April (-7.0%).

Production of Blocks also fell in the year to May, by 2.3%, the fourth successive year-on-year fall.

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

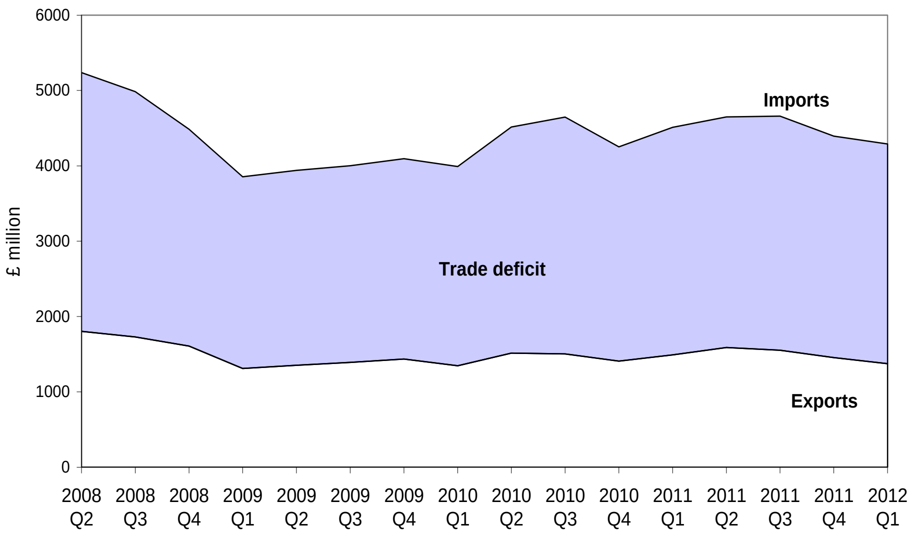


Source: Table 13 Monthly Statistics of Building Materials and Components

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 9.5% in the year to 2012Q1, the first year-on-year fall since 2010Q4.

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

The third ONS estimate of GDP published last week was unchanged from the second estimate and showed that the UK economy contracted by 0.3% on the quarter in 2012Q1. However the ONS revised down the 2011Q4 estimate by 0.1ppt to 0.4%, meaning the economy has now contracted by a total of 0.7% over the last two quarters, 0.1ppt more than previously reported.

Although the third estimate of GDP for 2012Q1 was unchanged from the second estimate, the three broad sectors of the economy – services, industrial production and construction output, were all revised. Construction output was revised downwards by 0.1ppts and so is now estimated to have fallen 4.9% in the first quarter. Growth in the services sector was revised up 0.1ppts, to 0.2%, while growth in industrial production was revised down 0.1ppts, to -0.5%.

Within production, manufacturing output failed to grow for the 3rd successive quarter in 2012Q1, falling 0.3% on the quarter. In construction, the sharp slowdown in activity over the same period was driven by a fall in infrastructure and private commercial construction output, according to separate figures published by the ONS on 15 June.

On the demand side of the economy, destocking (i.e. firms running down inventories) made by far the largest negative contribution to the GDP decline in the first quarter. Analysts said the large scale of destocking reflected expectations of weaker demand growth and a tightening in credit conditions, linked to the Eurozone debt crisis. Household consumption and net trade also subtracted from growth in 2012Q1, the latter reflecting exports decreasing at a faster rate than imports. By contrast, government consumption spending and fixed investment had a positive impact on growth, both expanding by 1.9% on the quarter.

Going forward, the outlook for the economy remains challenging. According to the Bank of England’s latest Inflation Report, growth in the near term is expected to be affected by a number of one-off factors, including the Queen’s Diamond Jubilee and the Olympics. The Bank’s forecasts suggest that the additional bank holiday associated with the Diamond Jubilee is likely to reduce quarterly GDP growth by around 0.5 percentage points in 2012Q2. However, the increased expenditure on goods and services related to the Olympic Games could boost output growth by a little more than 0.5 percentage points in 2012Q3, therefore offsetting 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.

For 2012 as a whole, the average private sector forecast published by Consensus Economics is for GDP growth of 0.4%. This represents a downward revision from the forecast of 0.7%, published last month. The subdued outlook this year reflects a combination of headwinds, including the ongoing Eurozone debt crisis, the persistence of tight credit conditions, the fiscal consolidation and the continuous squeeze on households’ real incomes.

According to latest Consensus Economics mean forecast, growth in manufacturing output will be negative at -0.1% this year before rebounding to 2.0% in 2013. The near-term outlook for the construction sector also appears weak. Major forecasters such as the Construction Products Association (CPA) and Experian expect the industry to fall by around 3-4% in 2012 as the fiscal consolidation intensifies and private sector activity is unable to compensate for the weakness in public construction. Further ahead, however, prospects for construction look more promising. Experian’s forecasts see construction growth returning in 2013 (1.3%) and strengthening in 2014 (4.7%) as the negative impact of the public spending cuts wanes and private sector activity picks up. The CPA is somewhat more pessimistic about growth prospects in 2013, expecting no growth in construction activity. Thereafter, however, growth is expected to exceed 3% in 2014 and reach 5% in both 2015 and 2016, driven by private housing and commercial activity.

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. The final ONS/MAS report was submitted to BIS in May 2012. 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 June 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	100%
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 7.4% in the year to April 2012. This was the fourth 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 7.0%, up from 3.2% in 2010.

In the year to April 2012, output in the SIC 23.5-66 industry fell sharply by 18.5%, following sharp falls of 23.3% and 18.8% in the year to February and March, respectively. In 2011 as a whole, the sector suffered a 5.1% decline in output, more than offsetting a 4.6% 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 8.5% in the year to April, a faster pace of decline than that recorded in the year to March (-7.7%). The fall was driven by declines in public construction output and infrastructure. Falling public construction and infrastructure activity meant that construction output grew by 2.7% in 2011 as a whole, 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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